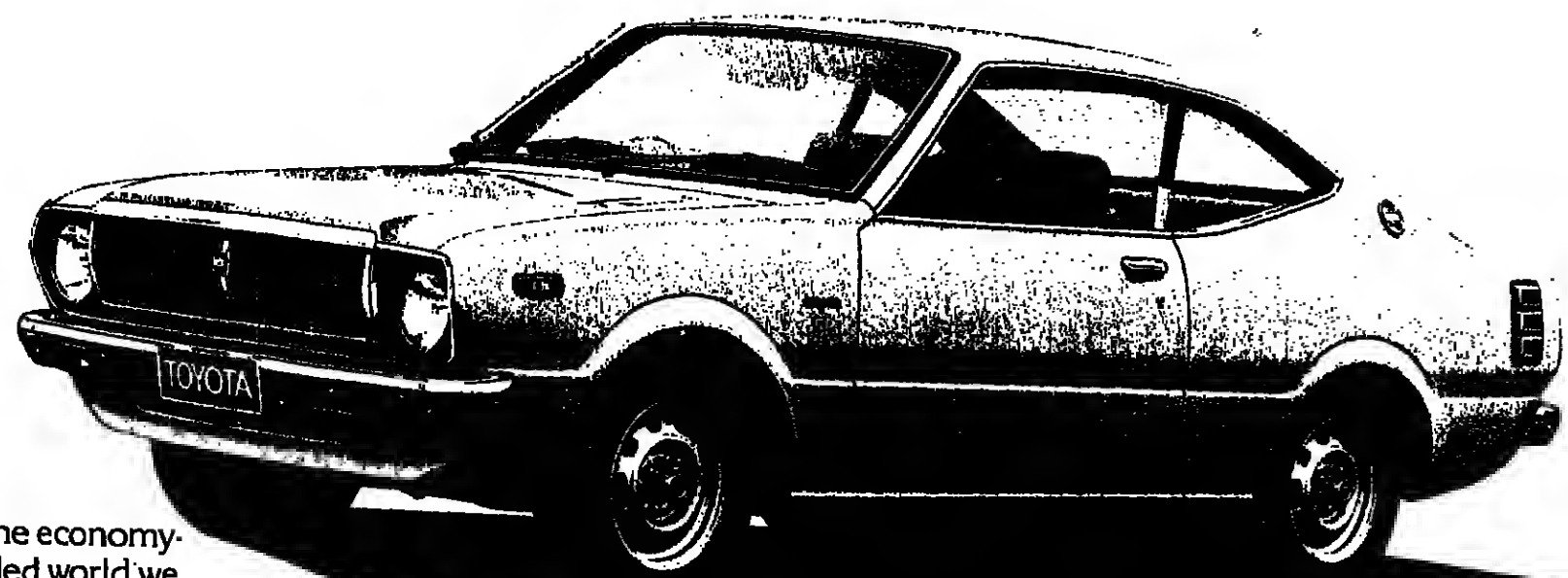


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NATIONAL BUSINESS REVIEW

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Volume 9 No 8 (Issue 325) March 14, 1979

American herbicide ban puts focus on new NZ controls

by Belinda Gillespie

THE American ban on the herbicide 2,4,5-T has resurrected concern about New Zealand's controls on suspect chemicals at a time when the Parliamentary select committee on social services is considering new herbicide legislation.

The new law — to replace the Agricultural Chemicals Act — proposes an agricultural chemicals board which is less heavily loaded in favour of industrial interests.

The new board would consist of nominees from the Departments of Agriculture and Health, the DSIR and the Commission for the Environment, five nominees representing growers' interests, two representing manufacturers, and a Government-appointed registrar.

Submissions heard on the first day of committee hearings revealed an enormous gulf between those to whom environmental concerns are paramount (and to whom the use of any chemical must be justified) and those to whom the manufacture and use of chemicals is an economic necessity.

Composition of the board is a controversial issue. The extreme environmentalists think there are too many "political" nominees and too many nominees of large-scale users, and that nominees of bodies with strong vested interests have no right to be on the board.

The appointee of the Minister of the Environment is seen as a concession to the environmentalist lobby, but it would like to see a non-government representative of

its viewpoint as well.

On the other hand, those who apply chemicals (such as the New Zealand Contractors' Federation) and the private sector in forestry want a voice on the board. And they feel that nominees from the Beekeepers' Association and the Wine Institute (whose concerns with pesticides are likely to be restrictive) are expendable.

The Pest Control Association also wants representation.

Ivon Watkins-Dow supports the claims of the foresters and the contractors to be on the board. Similarly, it sees the claims of wine-makers and beekeepers as of low priority, able to be represented by others on the board.

While it supports the idea of a Ministry of the Environment nominee, Ivon Watkins-Dow Ltd has submitted that this

person be "preferably employed by the Commission for the Environment", and expressed the fear that otherwise the appointee might be a mild environmentalist accountable to no one but himself and perhaps able to sway the entire board with eloquence.

The environmental lobby feels that with the present range of membership, the board will find it difficult to convince the public that it is an unbiased body capable of taking action against industry's interest. If necessary, to safeguard public health and the environment.

There is a view that contentious decisions of considerable public interest such as that relating to 2,4,5-T may have to be made before a complete scientific picture is available, and that they are beyond the scope of the board, whose input is chiefly scientific and technical.

Such matters could be referred to the Toxic Substances Board, which will be set up in another new bill, the Toxic Substances Bill (to replace the Poisons Act).

• 2,4,5-T Officially "clean" in New Zealand — Page 11.

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TRADING account relief is only short-term, without consideration of the invisibles. Peter O'Brien — Page 14.

IS IT a food? Is it a drug? No. It's saccharin — a substance 300 times as sweet as sugar. Belinda Gillespie — Page 27.

IRAN'S rapidly-growing population still has to eat, so NZ-Iran trade should pick-up. John Draper — Page 28.

PM's moves 'not enough'

by John Draper

A STEP in the right direction — but the Government has a long way to go.

That was the reaction among economists after the Government moved last week to lift price controls on a wide range of goods and services.

They argued that the decision was in danger of being dismissed as nothing more than a cosmetic political ploy unless further steps to free the economy and boost exports quickly followed.

It seems unlikely the controls — if kept — would have stopped the next round of price hikes, pushing inflation firmly into double figures.

Manufacturers and retailers had grown adept at bending the rules, and inflation was likely to be fired by higher wage claims over the last six months, rises in milk and electricity charges, and inevitable petrol price rises.

But after an initial flurry of price rises, consumer resistance and competition for a declining market are expected to force prices down.

Planning Council Chairman Sir Frank Holmes is in the vanguard of those who say the Government has not yet gone far enough. "If this relaxation of controls is to be effective as the Government wishes it must be part of a complete package to stimulate competition and efficiency," he said.

Negative barriers shielding manufacturers from the draughts of overseas competition must go, he said.

"No one is advocating the abolition of import

licensing overnight, but a phased and gradual reduction particularly in areas where there is a high degree of protection is essential."

Kerry MacDonald, at the Institute of Economic Research, is optimistic that the Government is just beginning to reveal its long term policy aims.

"A statement of that policy may be far more effective than the reduction in price controls," he said.

"Otherwise the move just smacks of another piecemeal decision."

In areas where there was already active competition such as furniture, clothing and most home appliances, the lifting of price controls might stimulate more aggressive marketing and even lower prices, he said.

But the danger lay in the areas where there was no effective domestic competition.

"There are a number of major import substitution industries where there is no competition though there is more than one manufacturer and it is these areas where there is a considerable risk of excessive prices."

The solution was to ignore the inevitable protests and move to a progressive relaxation of import and tariff controls.

But New Zealand's interests might be best served by extending the free trade zone with Australia further than Nafta presently allows.

"If we identify markets we are prepared to expose

competition and the Australians do likewise, New Zealand industry could be allowed to run down in some areas and given more stimulus to expand in others."

Manufacturers, not surprisingly, have been advocating the abolition of price controls for some time.

The controls had been making little impact and were only imposing an administrative burden on companies and the Government, the director general of the Manufacturers' Federation, Ian Douglas said.

But though agreeing in general with the Planning Council's aims of breathing competitive air into the economy, manufacturers are reluctant to see their protective tariff and import control barriers vanish.

Japan, Britain and America all gave protection to some degree to their own industries, Douglas said.

"We accept the present machinery and means of protection are matters for review but adequate barriers are still necessary."

Meanwhile the federation is urging the Government to produce the incentives to help manufacturers double exports in the next five years. At present manufacturers export less than 10 per cent of production. By 1984 the federation is aiming to make it 20 per cent.

• Bad medicine, says our Economics Correspondent — Page 5.

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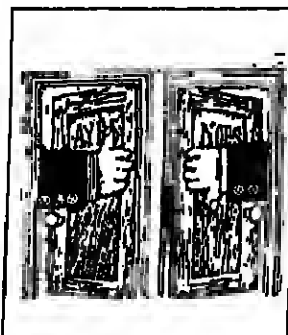
Incorporating Admark

The new National game: select a strategy

by Colin James

LET US, for the purposes of argument, stir together the following bits of information:

- Influential economists, the Treasury and the Reserve Bank have been urging the Government to make a start on dismantling import licensing.
- Certain influential people in the National Party believe that unless there are bold innovations in economic policy, National is bound to lose the 1981 election.
- There is widespread dissatisfaction within the National Party with the style of leadership offered by the Prime Minister.
- The Prime Minister has declined to accept the economists' advice on import licensing (though he has left a tiny chink of light).
- The caucus shows no inclination either to force a bold economic strategy on the Prime Minister or to supplant him.
- Party president George Chapman has been "reviewing



POLITICS

his position."

Now, let us stretch our imagination and try to see these tidbits as the Prime Minister might see them.

He was chastened by the election result and subsequent hostility from both within the party and outside it.

He has weathered that storm. There are as yet no discernible plots. He has some breathing space.

He is by instinct a conservative, short-term tactician. This makes him

suspicious of long-term gambles, especially when the odds cannot be calculated.

The short-term result of the announcement of even phased radical change in import licensing policy would be unpopular with important sections of the electorate.

Unpopularity could have two effects. It could enhance the possibility of a coup. And it could make winning the 1981 election more difficult.

There remains the possibility that a coup might be engineered by those opposed to inaction. This is unlikely from within the caucus and it is at least arguable that Chapman's review of his position means Chapman has concluded it cannot be engineered from outside.

The safer course therefore is probably not to court unpopularity through drastic measures. Given the conservatism of the New Zealand electorate, it is probably also the safer course for the 1981 election.

Farmers might like the idea of a freer economy, but rural seats are not the main battleground. The real fight is over the people whose jobs might be on the line by 1980 and 1981 if import licensing was relaxed.

The deficits in the budget and the overseas accounts should not look so bad, come next year.

A few catches among high technology firms with export potential might add a bit of gloss to an improving picture of economic management. Who knows, there might even be a windfall from farm prices.

That improves the chances of holding the leadership intact next year and once through that year it should hold intact until the election.

A few budgetary rabbits out of hats in 1981 give at least a fighting chance of getting through to the following triumph still in the driving seat.

Now let us imagine we are looking at the next few years

through George Chapman's rimless glasses.

Chapman revitalised the organisation when it was slumped after the 1972 defeat. He encouraged debate within the party and ensured the fruits of those debates went up to the parliamentary party and were listened to.

There is now a strong message coming up from the party that policy changes are necessary to get back rural support from Social Credit. The organisation has declared open a campaign against Social Credit, indicating it sees that battleground as more important than the Prime Minister does, but the parliamentary party does not appear to be getting the message.

Chapman encouraged party workers in 1974 and 1975 to believe they could win in 1975 and provided an excellent foil to Muldoon's knock-down style of leadership which kicked out a seemingly unbeatable Labour Government.

Power is what the National Party is about. Power was delivered in 1975. But it was only just held in 1978.

The odds are on a loss in 1981 the way things are going. The Prime Minister shows no sign of changing his spots, nor do any of those in the parliamentary party who could help him change his spots, or change both him and the spots, show any inclination to do so.

The party's interests would not be served by Chapman conferring his considerable personal prestige on those spots. On the other hand, its longer-term interests may be served if Chapman can withdraw to a position — such as membership of the dominion council — from which he can more freely offer advice than as president.

Finally, let us look at the situation from the point of view of an influential grouping in the party.

This grouping sees little hope of a change of spots or leadership and every likelihood of defeat in 1981.

The losers would not be members of the grouping, but the Muldoon leadership and the (probably Stuart Masters) presidency who would go down with the ship. Defeat would clear the way for:

- a change of leadership;
- a change of president;
- a change of policies.

Defeat in 1981 would probably mean that the economy had deteriorated to the point that a Labour Government would take itself in knots trying to fix it and not last beyond 1984 — if the National Party organisation and the policies were refurbished.

The intervening years before 1982 would give time to

groom the right sort of president (a name out of the air: Hamish Buchanan of the Waitarere; there are others of promise) and the right sort of leader (say, Derek Quigley). The new dummvirate would then head for the year 2000 in step with the party and the electorate.

This last scenario has been put to me by a party strategist sympathetic to Chapman. It has a certain logic to it that may appeal to electorate chairmen fielding anti-Muldoon trickboots and wondering what to do about the predicament.

What Chapman thinks about it I do not know since he has not unlocked the inner secrets of his mind to me. Nor, in the Chapman scenario I imagined above, did I do more than surmise what his assessment and motives are (subject with a little help from his friends).

It is also possible that he resolves to depart has been weakened over the past 11 days by the intense pressure on him to stay. Signs of movement from within the parliamentary party would further weaken that resolve.

But in unravelling for yourself what it all may mean, bear in mind this about Chapman:

- He revels in politics and has not yet grown old in the chair, onerous though the job is.
- His past record suggests he puts the party's interests ahead of his own.
- He has been a near-immaculate servant of the party's interests as he sees them.

As with the Chapman scenario so with the Prime Minister's. Though the scenario fits the facts of his behaviour, I am not privy to the machinations of his mind.

In his case, it is worth remembering that he is a man of very considerable personal power, which has enabled him to ride out the post-electoral disenchantment so far and to keep a tight grip on his caucus.

It seems to have been he alone who made the decision on import licensing. As far as I can gather, scant opportunity has been given to the caucus, or even the Cabinet economic committee, to pronounce on it.

Deputy Finance Minister Hugh Templeton was much less categorical about the matter when he spoke on the same day — which indicates he was not in on the Prime Minister's decision and made it all the more breathtaking.

The Prime Minister has a heady, and at times unbecomingly political instinct. But there is a strong feeling in the party that it has deserted him for the moment.

That is what the recent furries at the top are about.

Fund unit holders win partial victory

by Warren Berryman

DISSENT Fund of New Zealand unit holders won a partial victory with the appointment of Doug Hazard as new chairman of Fund of New Zealand Services Ltd which manages the company.

Unit holders, many of whom invested in the Fund in response to advertisements stating that they could get their money out at any time, have had their money locked into the fund with no return for the past three years.

During this time the managers, Fund of New Zealand Services, have continued to make a profit and paid shareholders a yearly 10 per cent dividend.

The Fund has been losing heavily on two major investments: Chertwell Regional Centre at Hamilton; and a block of land in East Tamaki.

Discontent unit holders have complained bitterly about the performance of the managers. At last August's meeting of unit holders 63 per cent voted to have the managers removed from office and have their function taken over by Hazard. This motion failed to reach the necessary 75 per cent (See NBR August 23, 1978).

Unit holders were particularly concerned at the standard of financial reporting by the managers, which they say concealed the true position of the Fund's losses.

They were also concerned about the investment decisions made which have left the Fund with the properties that can now be sold only at a loss.

The Fund's managers have also been criticised for having interests conflicting with those of the unit holders. One of these complaints relates to an investment of fund money by the managers in Consolidated Silver which resulted to a heavy loss to the Fund.

At the time this investment was made, Fund of New Zealand director and company solicitor, Warwick White, was also board chairman of Consolidated Silver and the Fund's auditors, Kendon Mills Muldoon and Browne were also acting as company secretary to Consolidated

Silver. Another complaint made by unit holders was that the managers invested the Fund's money in a rival property based fund, Security Mutual

Funds Ltd in which the managers also had an interest. (See NBR November 29, 1978). Hazard said "Fund of New Zealand Services Ltd is a private company charged with

the duty of management of the Fund. It is not owned by the Fund. I agreed to take the chairmanship of that company because it seemed the easiest and quickest and most

economical way of taking an active role in the control of the Fund. I have made it clear to the board of directors, and owners of the company, however, that my prime duty

will be to the investors of the Fund. This means that I will hope to ensure efficient and economic management with a reasonable return to the management company.

LPG distributors push for plant decision

by Rae Mazengarb

LIQUEFIED petroleum gas distributors will approach Government over the next few weeks to press for an urgent decision on the construction of a multi-million dollar plant to extract LPG from the off-shore Maui field.

At a time when a range of alternatives to costly imported fuels are being seriously studied, LPG must be ruled out as an immediate large-scale option.

Present output from the on-shore Kapuni field — some 20,000 tonnes annually — is already almost fully committed, either to existing users or to those in the process of converting their vehicle fleets to LPG.

The extraction plant could boost production to 400,000 tonnes per year, but even if a decision is made soon the lead time for plant design and construction means the extra supply will not be on the market for at least three years.

The supply situation has become one of "first in, first served" and some prospective users will have to wait years to gain access to LPG stocks.

The Auckland Regional Authority is considering converting its bus fleet to the natural gas-based fuel but in view of the projected shortage it is unlikely the authority will be supplied from the Kapuni field.

Jim Campbell, general manager of Rockgas Limited — distributors of 63 per cent of the fuel — emphasised there was no danger of over-selling LPG in the meantime but the longer Government delayed over the plant, the longer it would be before LPG could supply a significant proportion of national requirements for liquid fuels.

Details of the company's projected tonnage had been supplied to the consortium of

Shell BP and Todd who previously assured Rockgas that supply levels had not reached the level at which the line would have to be drawn; but it is understood the situation may have now changed.

Meetings were held between Shell Oil and Rockgas last week but as we went to print the two had not reached final agreement over a means to satisfactorily allocate the remainder of the product.

Government and the four mining companies of Maui Development Ltd — (Offshore, Shell, BP and Todd) — have been discussing the proposal

for more than a year but have not reached agreement.

Last week the Ministry of Energy was at the stage of preparing a draft reply for Maui Development following earlier discussions.

The size of the plant will be determined by its capacity to produce. A simple relatively inexpensive plant can be put into existing facilities, according to Ministry of Energy Resources director Andre Millop.

Two stages are envisaged. The first process extracts LPG from the condensate stabiliser stream using production plant costing an estimated \$1

million.

The second stage — extracting live LPG from the gas stream itself will be more expensive.

The vast proportion of the cost — which could go as high as \$150 million — lies in the provision of distribution facilities, for example associated storage and distribution tanks, coastal tankers and marine terminals at New Plymouth and Lyttelton.

Eventual capacity of the field depends on the amount of gas taken off but assuming the projected 170 petajoules annually, LPG production could

be as high as 400,000 tonnes.

It may be, however, that because of the expected fall-off in electricity consumption following recent hefty price hikes — and hence an associated fall-off in gas use — less LPG than forecast will in fact be produced.

Government must first approve the entire package but then it will be over to the boards of the four mining companies to agree to any positive scheme.

Until firm decisions are made attention will be focused on alternative fuels — methanol, ethanol and CNG.

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EDITORIAL

PRIME Minister Muldoon went out to bat for the civil service almost a year ago, when he addressed the New Zealand Land Drainage and River Boards Association. Civil servants were not policy-makers, he emphasised, but were there to respond to the wishes of the Government of the day. Policy-making was "the responsibility of the members of the government in office, who should be the target of criticism or the reprimand."

Thus Muldoon lent support to the doctrine of ministerial responsibility, which has developed from 19th century British Parliamentary practice and expects that a Cabinet Minister will personally assume direct responsibility to Parliament for the actions of the permanent officials in the various departments under his supervision.

A department's officials are considered to be the Minister's agents, and everything they do, they do in his name. A public servant has duties, responsibilities and obligations to his Minister, which are supposed to go beyond mere neutrality. It has, in fact, a duty of complete loyalty to the Minister. In turn, the Minister owes something to his permanent officials and is bound to protect them from public criticism. Nor must he exculpate himself at the expense of his officers. The Minister may expect and get the popular kudos and acclaim when things go right. He must also expect to take the blame when things go wrong.

Among the important implications for the conduct of civil servants is that they are obliged, where necessary, to keep confidential their official dealings and to retain a discreet anonymity in the sense that on matters of political sensitivity, all public statements normally must be made in the name of the Minister. This aspect of ministerial responsibility has given rise to the Official Secrets Act and has fostered the denial of open administration which prevails in this country, to the detriment of sound government.

More recently, Muldoon has been undermining the very foundations of the doctrine of ministerial responsibility in a manner which is bound to engender alarm among public servants. Already, the Combined State Services Organisation's Executive has expressed concern, following an incident in September last year, when the Prime Minister admitted that a letter had been sent overseas wrongly asserting that the Glenageary agreement had been ratified by the New Zealand Parliament. Muldoon accused someone in the state services of blundering by putting incorrect information in a letter he had signed. The Prime Minister himself should have accepted the responsibility for a letter sent with his signature about something which had allegedly been done in Parliament. The CSSO not unreasonably argued.

The other day, Muldoon again brought official advice into question. He conceded that the Government's energy policies were "somewhat misdirected" and, among other things, blamed "miscommunications" by various committees that had been set up over the years. In the same speech, he said the 1974 price control regulations which the Government is now removing had been based on bad departmental advice. And he said that Government departments had been responsible for some of the advice which recommended a freeing up of the economy, a removal of internal and external controls, and a return to the competitive world.

Of course, the Government is responsible for the actions of miscommunicating committee officials, and the Government has had more than three years in which to get rid of ill-advised price controls. But it is constitutionally significant that the Prime Minister is prepared to expose what he claims are the shortcomings of his advisers.

Regardless of the validity of the complaints, Muldoon's expressions of dissatisfaction with the bureaucracy have vital implications for the convention which have governed the actions of civil servants for decades, and inevitably must help shape a new relationship between public, Parliament, Cabinet and civil service. The resultant changes are of concern to all who believe in responsible and responsive democratic government.

Bob Edlin

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DR John King—director of the Animal Breeding Research Organisation at Edinburgh—is pushing the idea of producing a pig that looks like a sheep, according to an item in The Australian.

"The animal could be bred by injecting the pig with the genes from a sheep," he said. Thus wool and bacon could be produced from the same animal.

"Pigs breed much faster than sheep, so you would get a much bigger wool and meat content," Dr King argues. "It is a long-term idea, but I am sure it is one worth researching."

We're not so sure it's an idea that should be pursued in this part of the world.

Consider the news from Iran that the Ayatollah Khomeini has applied fundamentalist Islam thinking to mutation-eating and put this chill on frozen meat.

Note, too, that Iran has not only been a promising market for mutton, as New Zealand has tried to diversify from an over-dependence on the British market. We have been doing quite nicely out of wool sales, too.

In 1977 our wool sales to Iran were valued at \$22,389,000 almost double the sales of \$12,088,000 in 1975.

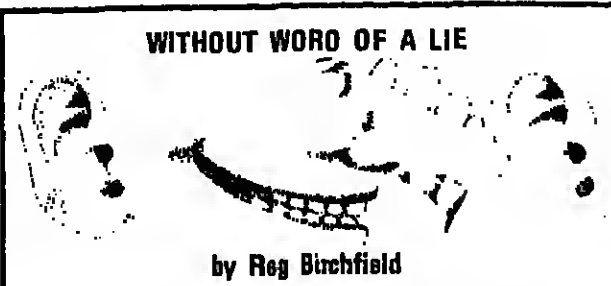
Strict application of Islamic teaching might already have put the future of this trade in jeopardy, without any hint that the stuff came from the backs of pigs.

THE Government was not about to sell New Zealand to overseas investors, so Rob Muldoon told the Auckland Young Nationals recently.

But the PM is giving every indication of rolling out the red carpet for the German investment mission due to arrive in Christchurch this weekend.

First, Muldoon announced that the overseas investment regulations would be relaxed, a move four years overdue, but timely from the Germans' point of view.

Then there was the reduction in electricity charges for new industries settling up in the South Island...remember the Germans were first lured to New Zealand with tales of



cheap electricity? We wouldn't want the Germans to think our Government was arbitrary and capricious, the sort of Government that would just raise the bulk rate of electricity by 60 per cent overnight — would we?

In NBR February 14, there was an Admark story about the battle Auckland retailers are now waging with local dairies. The Auckland Star in particular. The sharemarket page in the same issue quoted the last sale of shares in NZ News, the Star's parent company, at 178 for the week ending February 8. This was also the highest price for the year to date.

Three weeks later, the NBR Sharemarket Survey quoted the last sale of NZ News shares, for the week ending March 1, at 170. Interestingly, shares in the NZ Herald's parent company, Wilson & Horton, have risen healthily over the same period.

A coincidence...or is there a feeling abroad that the Star, probably the brightest and most perceptive of our dailies, is in for a rugged time?

ENERGY Minister Bill Birch is reported to have been setting an example to Cabinet colleagues as he arrives to encourage fuel conservation, throughout the community. He has told The Dominion he often walks home, "which involves a very long drag up to the top of Kelburn."

He has said too, that the Government is trying to coordinate Ministers' travel to avoid unnecessary use of public service cars (the Government runs a fleet of gas-guzzling Ford LTD cars. The Dom pointed out, and in the good old days before the latest energy crisis, Ministers could call up an LTD at the

drop of the hat).

If the Minister says that Ministers are doing their bit in moulding conscientious thinking, we can't quarrel. But, we were left wondering at the spectacle of two LTDs parked one behind the other outside Dalmuir House in Wellington's Terrace last Tuesday—almost within spitting distance (given a typical Wellington wind blowing in the right direction) of the Ministerial offices in Parliament Buildings.

Oh, and there were a couple of chauffeurs patiently scouted in one car, presumably waiting for their masters—a further sign of the Government's eagerness to utilise our economic resources in the cause of greater productivity.

REPORTS suggesting that the Canton Trade Fair will be cancelled this year as a result of the Vietnam war are unfounded, according to the Chinese Embassy in Wellington.

Invitations for the Spring edition of the twice-yearly fair opening on April 15 are expected to arrive "for our friends" shortly, a spokesman said.

BANKS are likely to be among the first in the rush to put up prices when the Government lifts controls later this month.

Charges haven't gone up in the last three years, but the commercial banks are now paying around 40 cents a line for Databank, their jointly-owned clearing house, to process a cheque. The customer pays three cents.

The Reserve Bank has controlled charges since 1974, but it is now likely the commercial banks will be exempted from regulation. Hint, regardless, the banks are

certain to press for higher charges, if only to make their credit cards—to be introduced later this year—more attractive.

Retailers accepting credit cards will pay up to 5% per cent commission instead of the present three cents to get their money, providing the Commerce Commission doesn't interfere.

FUTHER Christchurch Mayor Neville G. Pickering is thinking of moving back to Christchurch.

When we rang him last week, he said he was looking for a business there and "a return to Christchurch is very much on my mind."

Pickering said he and his wife had more friends there and felt more at home in the Cathedral city.

But according to Pickering, the important thing was business. "It could go either way; it depends on what comes up. I am definitely looking for a new business to get into," he said.

Asked if his decision was getting out of Wellington local body politics, he said he wasn't giving his option away yet. "I'll stay; either way if I am approached," he said.

Asked if his run at Wellington Central had put him off national politics, he said "Oh no! Though I could wait a full three-year term, I'll be 57 by the next election."

Asked finally if he might be available for a by-election, he conceded, "that might be a possibility."

WE'VE all heard the Wellington is among the most expensive capitals of the world in which to do business—visiting American tourists.

Slaying at the James Cook Hotel, agri-businessman Paul Mariani Jr was in town to attract New Zealand companies to a Foreign Trade Fair at San Jose. And he found his breakfast just a bit hard to swallow first thing in the morning.

PRIME MINISTER Itch Muldoon may be sticking to his word not to pre-empt ministers' speaking rights by holding press conferences, but it seems that behind the scenes he is not giving them carte blanche.

Justice Minister Jim McLay, we are told, had to get the boss's approval for some relatively minor points in the contract of service with the new Securities Commission chairman C. J. Patterson.

TIME to spare—go by air. That would have been an appropriate motto for Air New Zealand the other day but delays and cancelled flights meant a booming business for the bar at Auckland airport during the businessmen's rush hour to Wellington and points south.

No amount of beer at double town prices would smooth the ruffled feathers of inconvenienced travellers. The Christchurch flight was delayed and the Auckland-Wellington flight cancelled (it seems that when the pilot tried to start the plane the cabin filled with smoke).

Passengers were left to fumble through the cargo shed for their own luggage and make their own arrangements. There were some angry mutterings about how nice it was to run an airline in a monopoly situation where the passenger was always wrong. One man in a hurry asked why an airline with something like a 90 per cent load factor on the Wellington-Auckland run couldn't afford a stand-by aircraft.

Some of the better travelled

IF an Environment and Conservation Organisation of New Zealand Inc "occasional" held to Wellington recently was a blueprint for the future, 51 per cent of the population will be left firmly in the past.

ECO's invitation asked "Can we afford not to listen and think out options for the future?" But the ecologists seemed to have their ears closed to the aspirations of the women's movement.

In a glimpse of what the future might hold, mats were spread on the floor. Polynesian-style, and censer Ian Prior gave his welcome in Maori.

Mato speaker Teddy Goldsmith edits the New Ecologist, ("the journal of the post-industrial age") and is a co-author of Blueprint for Survival, one of the rash of books which appeared in the early 70s predicting doom and catastrophe for the developed world.

The all-male panel gave a bearing to big business, the trade unions, the Commission for the Future, farming and scientific interests.

The only woman brave enough to raise her hand was overlooked till the last minute, and just managed to make her point before supper superseded the intellectual part of the evening.

At that point the women did come to the fore — with a selection of cheese and biscuits, punch and white wine.

ECO was lucky enough to number among its friends the Apple and Pear Board, the Dairy Board and Downtown Cellars, who sponsored the fare offered for the occasion. Thus the ladies didn't have to bring a plate. But they still had the job of preparing and passing around the supper, while the scientists and other male experts sounded off about the future.

So among a number of interesting questions raised was: who did the dishes?

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Some of the better travelled

could recall being delayed in the United States where airlines actually have to compete for customers. There, any delay leads to an apology and free drinks and food to compensate for the airline's mistakes.

Perhaps Air New Zealand reserves its civil treatment for the foreign routes where the customer has a choice of carriers...and subsidises the good service with the high fares—no frills domestic flights.

WE received a nice letter the other day from an obviously nice man who thought we might like to reprint some nice words about his no-doubt nice company.

He was one P. A. Johnston, director of Cultural and Economic Development Ltd, and it was with pleasure that we enclosed a copy of an article published by the Christchurch Press and written by a Mr Alex Fox.

Johnston thought the subject matter topical.

"Although the article is to some extent about our company whose activities are

somehow new in the light of commercial services, it has drawn very wide interest here in Christchurch, presumably owing to the depth of economic comment."

Some samples from the article: Well, we learn that CED is providing valuable assistance to New Zealand companies seeking expansion in foreign markets and in New Zealand. "In doing so CED, and its clients are making the New Zealand economy fitter to compete in a competitive world."

"...bureaucratic controls have made business more complex, and it is surprising that CED's services were not established earlier."

"CED has won the confidence of its clients, and helped make New Zealand

industry more competitive."

"But it is heartening to know that at least a small section of the economy, CED and its clients in particular, are taking steps together, to surmount the internal and external difficulties and that their efforts might even be contagious."

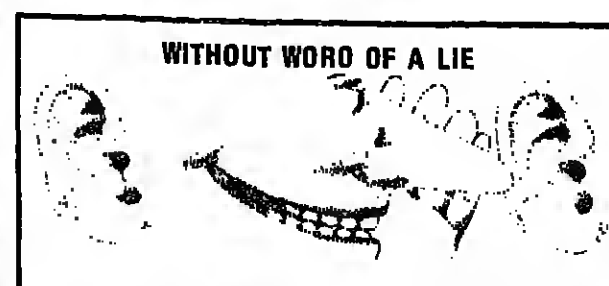
Johnston says we might find the article of sufficient interest to reprint in our publication, and we are if we are interested he says he can obtain the necessary release from Mr Alex Fox (why not from the editor of the Press, we wonder).

We're delighted to know that we have been deemed worthy of reprinting such an article, but while our critics might complain otherwise, we do try to inject a bit of freshness into

our editorial content. Thus we must decline the opportunity to chorus the praises of CED, but advertising manager Paul Loh, is always open to suggestions. For a fee.

It seems that one of our biggest companies is not yet geared up to the "more market" economy being talked about in Treasury. We are told that a man from ICI rang up a Government department (which shall be nameless) to ask its advice as to how to promote its products. It seems ICI has been beset by competitors who, drat them, are advertising and marketing their products. Perhaps a clue to ICI's inspired response to the problem of how to shore up its share of the market lies in its parentage — British.

THE Wellington Society of Accountants has been trying for some time to persuade Prime Minister Muldoon, along as a guest speaker. They've finally succeeded. He'll address them today and we hear he might take the opportunity to announce some new policies that should appeal to advocates of tax reform.



Let's hear it for Sir Thomas Skinner, wearing the hat of retiring FOL president. He complained the other day that the lifting of price controls could only result in the rampant ripping off of the working

classes by businessmen, because the Government's curbs on profiteering were ineffective.

His evidence? Well, he knew of one particular company which had had a 400 per cent increase in profits, but the Government had done nothing about it.

Thus, he equated profit with exploitation, apparently ignoring the possibility it might reflect efficiency and cost-saving.

We can only trust that any revision he might feel about profit-making doesn't turn his stomach as he sits at the New Zealand Shipping Corporation board table. If it does, the corporation — and a big investment of working men's tax monies — could be sunk.

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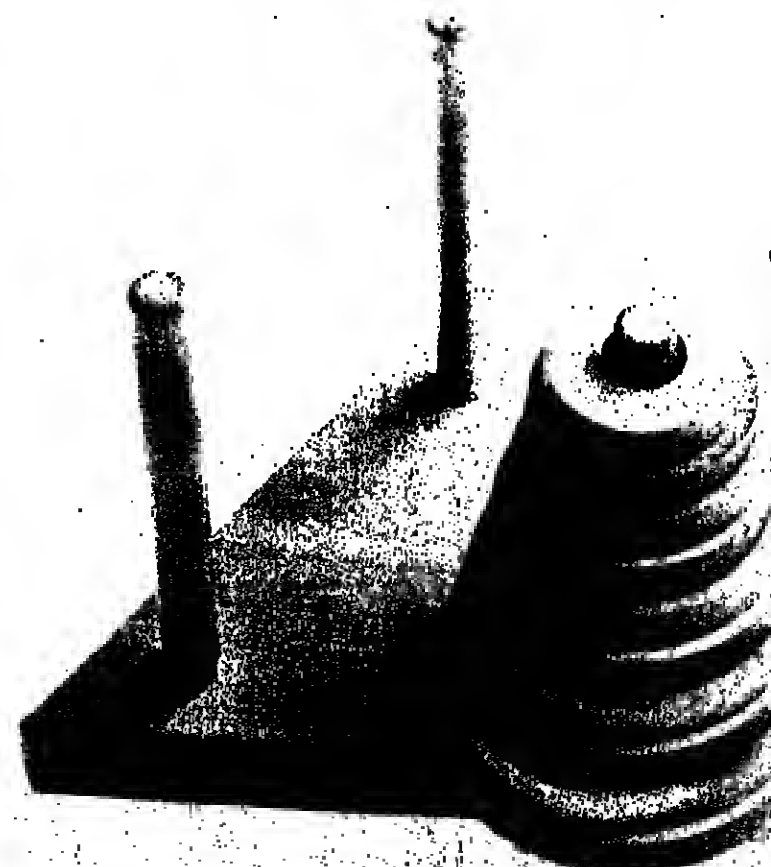
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The problems of developing financially sound rationales for purchasing fleet vehicles need straight answers...



...but first we'd like to give you another problem.

This Chinese puzzle is an exercise in logic which for most people, involves a lot of trial and error before the right system is adopted... some people give up completely, others take the long way round. The idea is to move the lower of wheels from one pole to another. Only one wheel may be moved at a time. A larger wheel may never be placed on a smaller wheel.

The ten point programme on the following two pages introduces the unique Fleet Management Service of The New Zealand Motor Corporation... a service which eliminates trial and error processes and delivers a financially sound fleet management proposal that could save your company substantial costs.

We believe you'll find this service worth a phone call. We would then like to personally deliver the actual problem pictured above and take your one away with us. One that is likely to be a much larger problem.

BROCKIE'S VIEW



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Joint US tourist promotion flounders before square two

A JOINT United States tourist promotion by Australia and New Zealand is not going ahead as originally planned and the Australian Government's new international aviation policy is to blame.

New Zealand's Tourist and Publicity Department and the National Travel Association, however, are still committed to the project, which will go ahead later this year.

The question of what assistance, if any, the Australian Tourist Commission will give in the promotion still has to be worked out.

Last year Australian Tourism Minister Lynch and his New Zealand counterpart, Harry Lapwood, announced plans for a joint promotion in the United States scheduled for the middle of this year to sell Australia and the South Pacific as holiday destinations.

Since then, the Australian and American Governments

have concluded a cheap fares agreement which, on the surface, would seem to help tourist flows.

There are fish hooks. The agreement is for point to point fares which, while they may stimulate traffic between those two countries, will not necessarily do anything for New Zealand.

This country now has a point to point fare agreement with the United States as well, and the question has been raised on both sides of the Tasman as to whether a joint promotion would be the best way of going about things.

Tourist and Publicity Department general manager Michael Roberts confirmed to the National Travel Association last week that the promotion would not be going ahead as originally planned.

Roberts was careful not to isolate the fares agreement as the major cause of the breakdown in plans, while the Australian Tourist Com-



TOURISM

mission was still sorting out its attitude to what form of participation it might seek in the campaign.

Tourist interests have been stressing that in the United States it is necessary to also market the South Pacific rather than one or two specific destinations because Americans prefer to buy package tour travel taking in several countries.

Air fare policy awaits acid test

NEW ZEALAND Government policy of trying to get all airlines to agree on the same air fares across the Pacific will be sorely tested when talks start with the United States in Washington this Wednesday.

At the centre of the possible air rights dispute is the newcomer to the South Pacific services, Continental Airlines of Los Angeles.

Official policy in New Zealand has aimed at getting a fare agreement which gives Air New Zealand — and by implication, Pan Am as well — protection from predatory fare practices of any new airline coming into the market.

That means Continental in the first instance, although an essential part of the US's new aviation policy gives governments no real control over capacity on a particular route.

In other words, total endorsement of the US aviation policy of deregulation would mean New Zealand, (among other countries), would lose the right to refuse access to any American airline which wanted to fly here, as often as it liked, through whichever

intermediate points it chose, and at whatever fares it nominated.

That could mean total disaster for Air New Zealand, but the case should not be overstated. While these outcomes may be implied in the policy, they need not come to pass.

In any event New Zealand is trying to make sure it retains some control over capacity, fares, stopovers, and the number of airlines operating the South Pacific route.

Included in that must be a strong stand on possible use of Pago Pago cabotage area to exploit American domestic fares to make a new fare structure across the Pacific.

The thrust of New Zealand policy so far has been to get agreement among the existing carriers on common fares in both directions.

New fares announced earlier this month give north bound travellers from New Zealand a two season fare structure basically as sought by Air New Zealand.

The parties could not agree,

however, on south bound fares being the same and Pan Am has forced concessions to the extent that there will be a three season south bound fare structure available for US travellers only. This will give them a deal for most of the year which will be better than those making the same journey starting from New Zealand.

Ministry of Transport sources confirm that the basic directions is not over yet, but the basic aim of getting agreement among existing carriers has been achieved.

This means that New Zealand can now insist that Continental, or any other airline for that matter, must charge the fares approved by the route.

In Continental's case, New Zealand can, and will insist that since Continental makes a case for getting the route on the basis of generating business, it should be required to do that, and not with existing traffic through uncompetitive fares.

Contractors punt for Clutha commitment

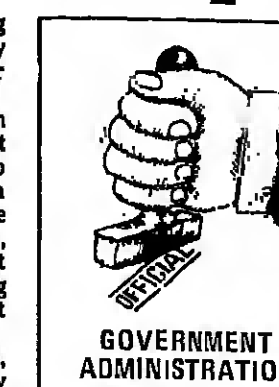
CONTRACTORS are pushing the Government for an early decision on the Clutha power development.

The Contractors' Federation after being "encouraged" last year by its representations to the Government, now wants a decision on how work on the scheme will be divided, presumably believing that they will now be on the winning side to the battle against bureaucracy.

In the last month, however, the contractors have openly stated Minister of Works Bill Young as incompetent of winning Cabinet battles on behalf of private enterprise.

What that will do for their standing with the Government is not clear. No minister likes being taken publicly to task for his so called failings, particularly when, as the contractors did, they rebutted point by point the Minister's defence of an unpopular decision.

But that's exactly what federation national secretary Bob McKnight did in radio interviews and press



statements late last month on cutbacks to the funds of the National Roads Board.

The contractors have pushed for most of the Clutha work — estimated at an eventual worth of \$100 million over the next 20 years — to go to private enterprise.

Apart from the value of the work itself keeping a lot of firms going over the next decade or so, the contractors claim the job will be done cheaper, and having a major part of the job will allow for a build up of expertise for

eventual export of contracting skills.

So there's a lot at stake in the Government's decision on who is to do what on the Clutha scheme.

Almost exactly a year ago, the Contractors' Federation presented a 47 page report to Young setting out how the work could be divided up into contracts able to be managed by local firms, and stressed that there were enough federation member firms able to submit competitive bids for the jobs.

The comprehensive submission also claimed to show local firms had the expertise in important areas to do the work with the Ministry of Works as engineer and administrator of the project.

Since then the federation has followed this report with three papers — the latest presented only last week — and have had detailed discussions with the Cautious Economic Committee.

Offers and counter proposals have gone back and forth somewhat like an auction for the work.

The Government's opening bid was for contractors to get half the work. While on the face of it this might seem generous considering that the contractors' claims to expertise were less than modest, it was quickly pointed out that material supply was not quite the thing contractors had in mind.

In effect, the argument was that half the value of the work was no real offer at all since even if the Ministry of Works did all the construction, contracts for the supply of such things as aggregate would still go to the contractors.

The Government subsequently increased their offer to 75 per cent of the value of the project.

So just what is at stake. To start with, there's the DGS dam now worth nearly \$200 million over the next 10 years.

The contractors claim this work can be divided up into several individual contracts within the capability of local firms. The first stage would be



BILL YOUNG . . . holds a grudge?

diversion of the Clutha river which is estimated at \$10 million over two years. Allied with this is the supply of \$7 million worth of aggregate over five to six years, the excavation of the dam at \$20 million over two years plus another \$6 million worth of grouting. On top of that there's the dam itself, worth \$80 million over five years, \$30

million for the power house, \$12 million for penstocks and other minor works totalling \$30 million.

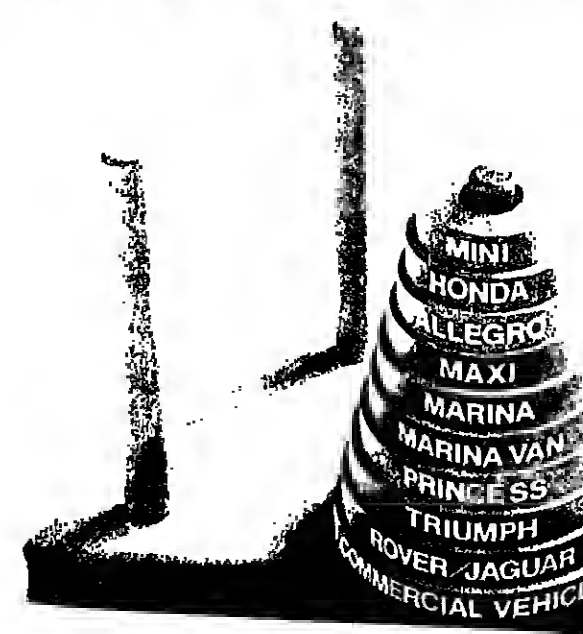
The contractors argue that if Government has good intentions toward private enterprise on the Clutha, it should make the river diversion work available to the private sector.

The political wisdom of this course of action may be open to question but the contractors' attitude is clear.

They say in their recent submission: "The attitude of the Ministry (of Works and Development) is quite clear. It intends to carry out the work with its own force. Such a commitment on the DGS dam would eliminate any possibility of employing private enterprise contractors on the Clutha scheme for 25 years."

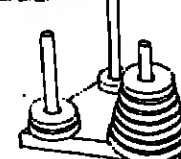
By pushing its 'construct by contract' programme to the forefront of the Government's mind, the federation is making sure its views are taken into account.

The unique Fleet Management Service of NZMC does it this way



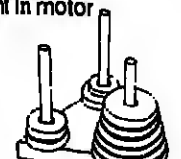
1 EXAMINE YOUR EXISTING VEHICLE PURCHASING POLICY

The various executive levels. The job functions in your industry. The current replacement policy. The status factors. These and other details of your existing vehicle purchasing policy would first be examined by one of our compact team of fleet vehicle specialists.



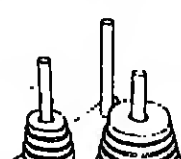
2 ISOLATE YOUR CURRENT CAPITAL INVESTMENT IN MOTOR VEHICLES

How working capital is utilized for the purchase and maintenance of a vehicle fleet has a major influence on overall profitability. For companies with wide seasonal fluctuations in income it can be critical to financial liquidity. By isolating your current capital investment in motor vehicles we have a base point against which you can measure the contribution to overall profitability our proposal will make.



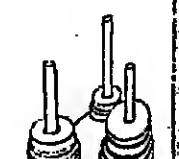
3 ANALYSE CURRENT USAGE OF VEHICLES

Your vehicles could well be under or over utilized in relation to usage requirements. We analyse how all your vehicles are currently used, by whom and for what purpose.



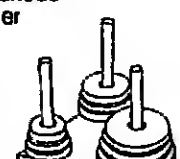
4 RELATE USAGE TO NEED

Having analysed current usage we can then relate this usage to the defined needs for job functions incorporating executive levels within your organisation.



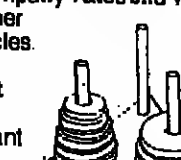
5 MATCH VEHICLES TO NEED

The New Zealand Motor Corporation has the widest range of vehicles in New Zealand. We have remained market leaders for the past three years because we offer the widest choice. From the versatile Mini to the luxurious Jaguar or Rover. We can also offer alternatives within the defined categories of need within your organisation.



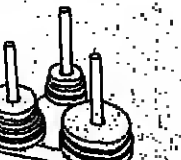
6 PROVIDE CURRENT MAINTENANCE AND RUNNING COST ANALYSES

We have developed comprehensive, comparative analyses on running and maintenance costs for the bulk of vehicles available on the New Zealand market. They are based on independent figures from authoritative motoring magazines plus an appraisal of servicing and replacement parts. They also include depreciation and residual values based on finance company rates and will give you a net cost per kilometre for all vehicles. We can prove to you how your NZMC fleet can save you more money in this important area of cost.



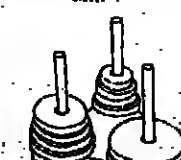
7 DETERMINE THE NZMC SERVICES MOST SUITABLE TO YOUR FINANCIAL AND OPERATIONAL NEEDS

We offer service and vehicle disposal facilities at national and provincial levels. NZMC has the largest network of outlets in New Zealand and can provide the after sales service that is required by the Fleet Operator. We are also able to offer financial packages that are tailored to suit your individual requirements. A careful analysis of your needs in these areas is another important aspect of a fleet vehicle purchasing rationale that can make greater contributions to both profitability and operational effectiveness.



8 ANALYSE YOUR FLEET REPLACEMENT COSTS BASED ON VEHICLE REQUIREMENTS

By fine-tuning the allocation of vehicles according to needs, we then demonstrate the savings in capital investment.



9 PREPARE FINANCIAL AND OPERATIONAL ANALYSES

We then look at the methods of financing and demonstrate all the available alternatives, some of which are unique to NZMC. We can again demonstrate the potential savings in working capital.



10 PROVIDE COMPLETE DOCUMENTATION IN A FORMAL PROPOSAL

All our recommendations in a fleet vehicle proposal are fully documented. Unless we do this we cannot hope to convince you or your Board of Directors of our Fleet Management scheme. In this document we will recommend how your working capital investment in motor vehicles can provide a more economic return through a rational fleet management proposal.



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Many companies asked us why the Marina was not available in the stationwagon enjoyed by European motorists. Fair comment! They wanted the greater flexibility of a stationwagon with the proven benefits of the "no worries" sedan. Now the N.Z. Motor Corporation can meet every conceivable requirement for the fleet purchaser. Marina Wagon measures up in every way to the sedan. Powerful 1798cc engine with top economy, superior town and country driving comfort, proven reliability, high standards of finishing and appointments, impressive loading capacity. And at the price, you'll be convinced there's no better value for money.

MC 183



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New Zealand Motor Corporation Limited (NZMC)

History shows price controls must fail

by Bob Edlin

"YOUR America is doing many things in the economic field, which we found out caused us so much trouble. You are trying to control people's wages and prices — people's work. If you do that, you must control people's lives. And no country can do that part way. I tried it and failed."

That advice came from someone who knew all about controlling people's lives — Hermann Goering. He had been responsible for economic planning under Hitler, whose Germany tried comprehensive wage and price controls before and during World War II.

The failure of these policies made just one more contribution to the undeniable lesson of history that price controls never work.

For more than 40 centuries, examples have abounded of failed price-control schemes. Virtually all were presented by rulers seeking an end to inflation and/or scarcity caused in large part by their own economic and political blunders.

New Zealand has had price control in some form for some 40 years.

The last Labour Government produced the Stabilisation of Prices Regulations, which were fiercely condemned by National Opposition front-benchers.

Then these National politicians took over the Treasury benches and kept the price regulations as part of Government policies aimed at "a restoration of stability as an essential preliminary to any move on price and profit controls."

Trade and Industry Minister Adams-Schneider spoke to business groups, trying to convince them of the need for controls to continue.

The failure of the regulations to achieve the Government's objectives is reflected in one Adams-Schneider speech in 1976. He said the Government hoped that the price measures would achieve a lowering of inflation to 10 per cent — or even lower on an annual basis — by the end of that year.

The target wasn't reached, and has not yet been reached more than two years later.

Whether or not the private-enterprise party perceived the shortcomings of price controls, National committed itself to reviewing price curbs in its 1978 election manifesto.

The promise was put into curious effect by Prime Minister Muldoon the other day.

On one hand, he conceded that the price regulations had created gradually increasing distortions to the economy. "The time has come to remove those regulations and that we are going to do."

On the other hand, Muldoon warned "... that does not mean that we are going to give a licence to anyone to make exorbitant profits at the expense of the ordinary New Zealander."

"We are going to retain the right, and indeed, the administrative machinery, to penalise any trader who takes advantage of the removal of regulations to make excessive profits from his fellow New Zealanders."

Nevertheless, the shift to deregulation would have been welcomed by manufacturers, importers, wholesalers and retailers whose enterprise has been numbed by the rigidity of price controls in the 1970s.

At one stage, the Muldoon Government's controls included:

(1) The Commerce Act 1976, under which a number of specified goods and services were subject to more or less long-term price control;

(2) The Stabilisation of Prices Regulations, covering the prices of most goods and services;

(3) Price freeze regulations which affected tradesmen's charge-out rates, prices for fish, and professional charges;

(4) A number of laws — such as the Transport Act — which controlled certain specified goods or services;

(5) A general price freeze, which over-rode all these controls and was designed principally to complement the freeze on wage rates. It lasted till the end of December for



ASSOCIATE FINANCE MINISTER TEMPLETON ... on different wavelenghts?

most goods and services, and for remaining goods till May 1977.

Since then, controls have been administered through the 1974 Stabilisation of Prices Regulation which itself was a refinement of 37 sets of regulations. Goods were divided into two broad groups — Category A consisting of foodstuffs, key consumer goods, cars, metal products and building materials; and Category B, which is virtually the remainder.

The effect was a boost, at least, to the business of lobbying.

Category A traders, whose increases were more tightly controlled, pressed for transfers of a number of items to Category B while Category B traders argued for a more liberal interpretation of their criteria for price rises.

Business was brisk for bureaucrats, too. For example, the wholesale and retail prices of major species of fish remained subject to Government decision. The Fish Retailers Association would apply to the Department of Trade and Industry, which, if it agreed, would put the application to another committee. It then went on to the Cabinet economic committee before it could go to the full Cabinet for ratification.

Trade association members would troop along to their annual conferences and wait expectantly for news of a change of heart. Invariably, the news was bad.

Adams-Schneider told the Retailers Federation's annual conference in 1976, he couldn't review price controls. "Any such move would create the confidence and cooperation of wage earners."

Still, the Minister did say he realised that margins had been virtually frozen since 1970. He accepted, too, that "if a business is not profitable it is unable to attract investment, unable to create jobs for our growing labour force, and in the ultimate — unable to survive."

And he agreed that the policy tended to favour the less efficient trader against the more efficient.

In 1977, he returned to tell the Retailers Federation it had become "increasingly clear that although the Government's measures to combat inflation, the balance of payments deficit and the deficit before borrowing were having a positive effect, it would be necessary to continue with price controls for some time."

The long-suffering retailers invited Associate Minister Templeton to this year's conference. It would have been an appropriate occasion to enounce what Muldoon was telling Young Nationals elsewhere on the same day.

But Templeton and Muldoon were on different wavelenghts, and the Associate Minister was able to talk only of a "review of price controls, while indicating some sympathy for the idea of lifting import

Templeton said the Muldoon Government had not only from its isolationism from protectionism, "but from our restraints on competition and trade."

Since then, the Government has turned out its thinking on public consumption at least, and already Cabinet has given approval for the removal of restrictions on charges for hotel accommodation and hotel meals in a bid to encourage more investment in hotel building for the tourist industry. And it looks like items in Category B of the price stabilisation regulations will be removed from price control as they come up to their six-monthly review.

"positive list" of items remain under price control will be drawn up, — subject to monopoly control. Government subsidy — a system of surveillance will be devised to discover "justified" price rises and deal with them.

Business resources that for too long have been devoted to accounting for every cent and to help the case for a next price increase cannot be channelled into improving company efficiency.

Thus there had been no progress towards greater private enterprise since the day not so long ago, when delegation of manufacturing left the Prime Minister's disapproving after seeing partial lifting of price controls to compensate for the removal of wage bargaining controls.

August 1977. According to delegation leader Digby Brown, "manufacturers were given no sign of hope that there was anything in Mr Muldoon's mind to give relief to a serious problem."

The winds of change blew a National Party businessmen's luncheon at April last year. Muldoon said then it was time the Government had a good look at price controls.

And there had been aspects of price control since its infancy, he said.

Surprise, surprise. In August, Adams-Schneider said the National Government would review price control this year, and disclosed that his department had been discussing the issue with trading associations for "some months."

Further details emerged of the party's election manifesto. Certainly, the reasons for Muldoon's announcement on other day must be political rather than economic based.

This becomes obvious when you consider the reasons given by Adams-Schneider for the rollover by other politicians to justify price controls in the 1975-78 administration.

(1) There was a "real" problem of inflation;

(2) There were some areas — such as the steel industry — where the full force of competition cannot operate;

(3) There were factors such as licensing, tended to limit competition;

(4) There were some areas subject to Government monopoly or purchasing where the public funds made a contribution;

(5) The labour movement felt that if it was to be able to wage controls, there was only fair to expect the "earnings" of income to be equally constrained.

Only point five was eliminated from the considerations of an economic review in favour of price controls, and last week Muldoon was gaining was more than what has changed.

Dr Muldoon's price controls: bad medicine

Economics Correspondent

THE Prime Minister broke his silence on the economy to complain about the recent barrage of economic advice he had been getting. And just to show who had the real power to influence economic activity, he ignored the good advice and removed price controls without dismantling quantitative import controls.

The Organisation for Economic Co-operation and Development (OECD) in its annual statement on the New Zealand economy, called for the dismantling of quantitative import controls and a review of price controls.

Muldoon, clearly not wanting to be seen to take the OECD's advice, (or that of Treasury, the Reserve Bank or the Planning Council), prefers to do things the other way around. But in dismantling price controls without also lifting import controls, the Prime Minister has followed a road which makes little economic sense.

Protection in the formal tariffs and quantitative import controls means that our domestic industry does not have to face overseas competition while our export industry does. Removal of price controls will not change this situation and in fact could make things worse than they already are for exporters.

Muldoon believes that lifting price controls will result in increased competition, which will in turn become a regular of prices. Firms will keep their prices down to undercut others and to increase their share of the market.

And just in case they can't keep their prices down, the Government still retains the right to penalise those who take advantage of the removal of the regulations to make excessive profits.

The trouble is, firms in New Zealand are competing with firms overseas along similar lines, restricted to imports of the same sort of machinery, subject to the same Government regulations and usually passing on similar costs to their price increases. It is competition from overseas that will stimulate firms to



THE ECONOMY

find labour saving techniques and new technologies to enhance efficiency and keep prices down.

Further, there is a high level of industrial concentration in New Zealand. This means many of the large firms in New Zealand, while not true monopolists, still have considerable discretion over their price and output policies and can behave like monopolists.

Monopolists are not constrained by the market in setting prices, but can set prices as high as they like. The Government intends to maintain administrative controls on goods where there is a clear monopoly interest such as in steel, sugar, bread, certain pharmaceutical drugs and road transport services. But there still will be firms which can behave like monopolists not covered by these remaining price controls.

Competition from overseas is the only method, other than an improved system of price controls ensuring that these firms become efficient, low cost producers.

Without the constraint of overseas competition, prices could go quite high after the controls are lifted. As long as firms can show that they are only passing on costs, not making excessive profits, they can put prices up. Our valued exporters will have to pay more for domestic raw materials, which will make it harder for them to compete with world prices in foreign markets. With higher prices, the net incomes of farmers (our chief export earners) will fall, further reducing their desire to increase farm production.

Muldoon accepts the advice that we must move more of our

resources into the export sector. In line with this, we must keep our traditional farming industries buoyant, encourage our new agricultural industries in forestry, fishing, horticulture as well as tourism and manufactured exports.

And Muldoon shows he is up with recent economic debate when he says that encouragement to exports must come by freeing up the market rather than introducing more regulations and restrictions.

Lifting price controls may help free up the market, but it certainly will not help those enterprises producing solely for export. It may help firms who produce goods for domestic consumption as well as for export in the short run. They could pass their cost increases on to the local consumer and stay competitive on the world market (the local consumer in a sense would subsidise our export industry by paying more than foreign buyers). But this sort of behaviour will only delay the day of reckoning as firms avoid adopting more efficient methods.

Of course, the absence of price controls will not make life difficult for just exporters.

Before the news of the lifting of price controls, some economists were saying that the inflation rate will be running between 12 and 18 per cent this year and others were estimating an even higher rate. When price controls go off, the inflation rate could easily reach the high levels experienced in 1976-77 of around 17-18 per cent.

Interest rates will probably follow the inflation rate upward. In New Zealand's largely uncontrolled money market, there is a close link between inflation and interest rates.

Adding to the upward pressure on interest rates is the possibility that credit will be tighter this year. Already this month, reserve asset ratios (the proportion of deposits financial institutions are allowed to lend) have been increased to ensure that there will be less cash in circulation.

So it will be expensive to borrow money in New Zealand. But not to worry. In his speech, Muldoon proposes to change the Government's policy on overseas investment so that it will be easier for firms to borrow overseas.

Even this policy is not likely to encourage increased



ROB MULDOON ... breaks silence on economy

economic activity. Companies will be reluctant to borrow from overseas knowing the possibility of a devaluation later this year. As the Government is finding with its own Swiss and German loans, they become more expensive to pay back as the value of currencies appreciate against the New Zealand dollar.

And anyway, overseas firms may think twice about investing in New Zealand when they discover its gloomy economic future, uncertain balance of payments and terms of trade, and the Government's frequent

reversals of policy.

It's time the Prime Minister faced these issues and prescribed medicine appropriate to the economy's ailment. He seems to think the economy is doing quite well. In his recent speech to the Auckland Young Nationals, he said that the Government had brought stability to the New Zealand economy, that it had restored the country's shattered economy, that the Government accounts were under control.

In fact, the rate of inflation is still over 10 per cent, the balance of payments deficit is showing signs of deteriorating again, unemployment is over 50,000 and the Government account deficit is expected to be at least \$500 million more than the \$1050 million forecast in the Budget. There is very little evidence that the economy is on the road to recovery.

The Prime Minister might better spend his energy listening to the good advice he is getting from people who know something about the workings of an economy rather than looking for scapegoats. He's been steering the ship long enough now and has only himself to blame.

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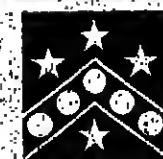
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NBR BUSINESS WEEK

Muldoon taints foreign investment debate

By Peter V O'Brien

THE inevitable square-off positions are being taken on the issue of encouraging overseas investment in the New Zealand economy. The inevitable debasement of the issue is also occurring.

Prime Minister Rob Muldoon told Young Nationals in Auckland on March 3 that the Government would change its policies on overseas investment because it was now clear that New Zealand needed more overseas investment in technologically complex areas.

Muldoon referred to Singapore as a successful economy which welcomed overseas investment in any industry. (Muldoon might admire the "strength" of the Singapore administration, but he could have used examples which would be more acceptable to doing their own thing New Zealanders).

But the Prime Minister (again inevitably) could not resist bringing a sensible point down to a non-constructive level. "The outcry will come from the know nothing element in the community that we are selling New Zealand to foreigners."

A combination of secrecy in the Government and bureaucracy, and attacks on those who join the national debate lowers the level of debate. People may eventually

leave for places (apart from Singapore) where debate is more rational. Muldoon's basic argument (excluding his rubbishing approach) was offset by the letter in last week's NBR from Combined Unions Industrial Officer Campbell.

On foreign investment increase, Campbell said in referring to Planning Council recommendations: "Proposals of this kind are what has made South Korea, Hong Kong, and Singapore such attractive places—to other foreign investors at least. In fact already crucial areas of finance and production are overseas controlled, and this fact is placing constraints on our ability as a nation to determine our economic future."

The fact that we are short of investment resources will not be solved by this avenue, as recent gains in trade balances have already been wiped out by 'invisibles' in which payments for interest and investment income to overseas owners showed the greatest leaps."

Campbell is probably one of Muldoon's "know nothings", but his addition to the debate can probably be taken fairly as a union view. It raises a basic question.

How does New Zealand get the technologically based industries which are necessary for earning overseas income,

when the country is under pressure from agricultural protectionism and lives at the other end of the world?

This country has 3 million people, and a national income before price adjustment of about \$15,000 million. Agricultural protectionism overseas, distance, small population, a minuscule national income, nil growth in real terms, and the existence of more favourable investment options for overseas investors are more likely to be the "constraints on our ability as a nation to determine our economic future". Plus a negative attitude to overseas investment.

There are alternatives. At the risk of pushing a case, the Irish can be examined again. They decided to open their economy; to encourage overseas investment; to make that investment meet local criteria; to plan; to increase industrial exports; to reduce reliance on a doubtful EEC agricultural policy; to make the nation grow; and to preserve national economic and political independence.

But democracy prevails in the Republic, with all political parties and the trade unions agreed on the strategy (although there are arguments about specifics). The country has the fastest growth rate in Europe. On OECD projections it will be equal second, behind Japan, in the OECD growth

league in 1979.

There are still many problems, but the development is interesting for a country of 3 million, an agricultural base, and few resources apart from grass and an equable climate. Ireland's membership of the EEC is an advantage which New Zealand lacks, therefore we need to do even more dramatic things to overcome that lack.

Muldoon has yet to spell out

how the policies will change. No doubt the Government will cut out the 25 per cent requirement on overseas investment in New Zealand companies. Will it actively encourage overseas investment, apart from the recent negotiations with Germany? Will it break down the bureaucratic morass which requires independent discussions and approvals from 11 departments and

authorities (see NBR, 24, on how we lost a \$100 million investment)? But that is detail for broad ideas, present proposals when it is the debate, and not comment by referees. "Know nothings" have become the standard in New Zealand, and emigration and the reaction against investment.

Territory tries state insurance

THE Chief Minister of Australia's newly created Northern Territory Government, Dave Everingham, has announced that his Government will set up its own insurance office. He said the Northern Territory Government had received its commission report on the economics of insurance within the Northern Territory, and, in his opinion, it had revealed that the only way to retard the rising costs of third party insurance, and to expedite compensation payments, was by the establishment of a Government insurance office.

Accordingly, the Northern Territory Insurance Office will now be responsible for all third-party and workers' compensation in the Northern Territory. It is scheduled to begin business on July 31, and Everingham said

on that date the cost of third party insurance for private motor vehicles, reported to be the highest in Australia, will fall by \$A34.

A spokesman for the Government said that in the present circumstances the only alternative for the Government was to go on approving even higher premiums to cover the mounting losses by private insurance companies.

The Australian Life Offices Association is reported to be strongly opposed to the establishment of the Government insurance office. Its executive director, I. Rendon, expressed concern that the Government would intrude into life insurance business. The Northern Territory, he said, was already well served by competitive life insurance

companies offering a variety of policies. There was no need for a new duplication of service taxpayers' expense.

Increasing Government involvement in insurance, however, is confined to the Northern Territory.

In New South Wales, hospitals have been asked by the State Government to transfer their own business to the State Government Insurance Office, which will increase risk by some \$A25 million annually. Currently, the public hospital to conduct their own business with their own brokers, paying the premium an allocation from the State Government general operating expenses.

Analysing annual accounts

by Peter V O'Brien

GENERAL FINANCE LTD will not regret the decision it made to take over Group Rentals Ltd in 1975.

The annual report for the year ended October 31, 1978 shows that the subsidiary is producing a return out of proportion to the investment, although it is necessary to track an involved path through the accounts, notes, and supplementary information. Rental television (Group Rentals' principal business) contributed \$10.1 million, or 97.4 per cent, of total gross income which amounted to \$10,367,000.

The total investment in television appears to be about \$19,865,000, unless there is a further amount hidden in the accounts.

The \$19.8 million is calculated by taking the company's \$15.15 million of "rental equipment" and adding to the proportion of gross advances which is released to "domestic appliances". At October 31 last year, that proportion was 5 per cent on gross advances of \$30,268,000, or \$4,513,000.

A comment in the chairman's review, that "the division's assets increased over the year by 33 per cent to

\$17 million", differs from the figure just calculated, but the difference could be "income yet to mature", although there is no breakdown of that amount. "Income yet to mature" is the income related to future years and added to a credit instalment advance at the time the contract is written.

Taking the amount of \$17 million as the asset figure, this means that 13.7 per cent of total assets produced 34.7 per cent of gross income. A shareholder at the annual meeting asked a question about the performance of the television rental subsidiary. The answer may have satisfied him, but it did not cover the important element in a rental contract.

Rental assets are depreciated, unlike most other finance company advances. General Finance depreciates rental equipment on a straight line basis at the rate of 13.3 per cent a year, that is, an average "useful life" of 7.5 years for each item.

The income generated by the rentals is spread over the life of the asset, so that, in time, the income should become a higher proportion of the asset value in the books than is the case in most other types of finance house business. If the asset "lives" longer than 7.5 years there is also additional income generated.

Income from finance company advances is brought to account by allocating income over the lives of the agreements in proportion to the reducing balances outstanding.

The rental division also consumes interest charges on the funds invested in it, but the General Finance accounts suggest that this amount is proportionately in line with the allocation of interest charges on funds used in other advances.

The company usually provides good information in its accounts and the accompanying text, but this year, apart from the question of television, there is one

matter in particular which could have received more comment.

Under the heading "commercial bills" in the consolidated balance sheet, there is an amount of \$5,230,000, being bills discounted, from which \$845,000 is deducted, being "less bills rediscounted and not yet matured" to give a net figure of \$4,385,000. In 1977 the gross figure was \$5,288,000, and the deduction was \$3,344,000. The resulting net figure was \$1,942,000.

That substantial change is worth a comment in the report, or in a note. General Finance either thinks otherwise, or the company just overlooked the point. The group was holding a much higher level of bills in its own portfolio at October 31, 1978, but does not say why.

The text gives a clue by referring to fluctuating interest rates in the money market division which meant narrower margins between borrowing and lending rates. The easier money conditions which were becoming ap-

parent towards the end of the company's financial year may have been a factor in increasing the portfolio, rather than rediscounting, but again the report offers no comment.

The rest of the information in the report is up to the company's usual good level of disclosure.

It may be unfortunate that, in the group's fiftieth anniversary year, the earning rates and the present gearing were insufficient to allow shareholders a bonus issue. They received an increase in the dividend (from 12 per cent to 13 per cent) with 7 per cent of the total payment being paid from tax free reserves. But bonus issues, of say one for four or one for five, require additional funds in servicing, a difficult task on an earning rate of 23.3 cents a share.

The company did well in a relatively tough year to lift net profit 39 per cent, and to get the return on shareholders funds back to 14.2 per cent, compared with 13.5 per cent in 1977 and 14 per cent in 1978.

Exchange rates

As at 8 March 1979 \$1NZ		Malaysia	2.2937
is worth:		Netherlands	2.0918
Australia	.9380	New Caladonia & Tahiti	61.33
Britain	.5174	Norway	5.3035
Canada	1.2485	Pakistan	10.28
Fiji	.6700	Papua-New Guinea	
Japan	213.55	on application	
West Germany	1.9389	Portugal	49.77
USA	1.0520	Singapore	2.2654
Austria	14.17	South Africa	.6783
Belgium	30.70	Spain	72.14
China	1.6238	Sri Lanka	on application
Denmark	5.4322	Sweden	4.5504
France	4.4706	Switzerland	1.7435
Greece	37.86	Western Samoa	1.9385
Hong Kong	5.0389		
India	8.4077	Supply rates supplied by CBA	
Italy	878.83	Bank.	

Relief only short-term, without the invisibles

by Peter V O'Brien

IT would be good news if the latest Overseas Exchange Transactions figures from the Reserve Bank represent a turning point in the country's trading position.

Unfortunately, analysis of the figures (before looking at the problem with invisibles) suggests that relief on the trading account may be short term.

In the year ended January 1979, export receipts totalled \$735 million, an increase of \$35.7 million over the 1978 January year. Import payments were about 2 per cent lower, at \$3,102.5 million, with a 3.8 per cent decline in private imports offsetting a rise in government payments.

A \$14.2 million lift in receipts for meat was a major factor in the improved return. Wool moved from \$852.8 million in 1978 to \$881.3 million this year, and should do better when the recent high prices show up in the statistics.

Dairy products continued their recent improvement, although they were lower when the month of January is isolated from longer term figures. (Special factors can affect particular receipts in a given month. It is better to look at longer time spans when

considering the Reserve Bank's cash transactions). The slow down in growth of manufactured exports is a matter for concern, given the necessity to broaden the base of overseas trade.

The value of manufactured exports in the 1978 January year was 14 per cent above the previous year. While this may create a false sense of security because the dollar return was higher, the percentage gain was low.

Manufactured exports grew 14 per cent between 1977 and 1978, after a movement of 63 per cent from 1976 to 1977. The \$78.8 million recorded in 1978 emphasises the difficulties associated with switching trade from traditional export products.

Reference to the figures for the December year (which give a breakdown by country of payment) indicates the general vulnerability of manufactured exports to economic changes in other countries. Australia took \$238.7 million worth of manufactured goods to that period.

The amount was 41 per cent of the total for the calendar year, and shows that the export drive among manufacturing companies will be a long term process before our reliance on Australia, and its changing economy,

diminishes to a level where trans-Tasman sneezes lead to colds rather than a bad case of influenza.

The effort spent on Export Year may overcome this problem, but again the full benefits of that promotion will take time to show up in the overseas accounts. Traditional primary produce exports will be our base until there is a significant growth in export of manufactured goods.

Invisibles reached their inevitable \$1000 million deficit in the January year, pushing up to \$1020 million, after closing calendar 1978 at \$988.9 million.

There has been a considerable rise in both payments for interest and investment income, and (on the capital account) for repayment of private overseas debt.

While some of the debt repayment relates to rearrangement of overseas loans on the New Zealand market, in the normal course of business, the total figures are too high in both categories to be dismissed as "normal".

Private capital payments were \$368.3 million in the December year, rising to \$380 million in the 12 months to January. The corresponding figures in the previous years were respectively \$185.2 million and \$186.4 million.

Payments for interest and investment income in the private sector were 222.2 million in calendar 1978 as opposed to \$189.8 million in 1977.

Movements of this size obviously have several components, but it would be interesting to know how many

private organisations reacted to the speculation about devaluation throughout 1978, in spite of the ease against devaluing the currency in the conditions which prevailed last year. That information will probably never be

available, thus allowing the instigators of the speculation to rest easy. The outlook for the coming months is rising export receipts for meat and wool, (the latter fortuitous as New Zealand benefits from their

people's troubles) and a stimulus of the economic activity, and continuing substantial outflows in invisibles, although slower growth rate than last 12 months.

Broker attacks compulsory scheme

Melbourne Correspondent

THE president of the Insurance Brokers of Australia, W E Smith, has attacked a compulsory professional indemnity insurance scheme for solicitors recently introduced by the Law Institute of the State of Victoria. Under the scheme, introduced last July, the solicitors are covered for \$100,000 against law suits seeking damages for negligent advice, or negligent action.

The Law Institute itself is a

beneficiary of the scheme since it receives a commission on members' premiums, and is entitled to a profit bonus. Smith said this gave the Law Institute a direct interest in minimising claims, and the Victorian solicitors themselves now had a financial incentive not to sue fellow members. If substantial awards were made against solicitors, insurance premiums would rise and nearly every Victorian solicitor would have to pay higher premiums. Far that reason, people wishing to sue a

solicitor in Victoria should expect to find the Law Institute or the Law Institute itself.

Every solicitor is a member of the Law Institute, which has a financial incentive to discourage actions against fellow solicitors, and to minimise awards if it is unavoidable.

The Insurance Brokers Association wants the Victorian State Government to rescind legislative scheme.

Anticipating takeovers prove useful investment strategy

by Peter V O'Brien

INVESTING in potential takeover situations is a useful investment strategy. This year the shrewd investor who has followed, or is currently following, that strategy should do well.

Both those statements are probably truisms, which raise obvious questions. What are potential takeover situations? How do you follow such a strategy? How long do you have to wait before the payoff?

Takeover situations arise in several ways. The first approach is to sort out companies with high asset values, but with earnings rates which are low relative to the assets employed in the business. If the earnings rate is low the company's performance is usually reflected in a share price well below asset backing.

A share price might be low relative to the asset backing, but a high percentage of the share capital can be in the hands of one or two shareholders and the company might also have specialised assets which defy "rationalisation".

The Tasman Pulp and Paper Co Ltd is an example. Apart from its status as a company vital to the economy, Tasman has net asset backing of \$2.77, and a share price last week of \$1.46 for the 50 cents units. But the company's capital is limited in its spread, with two shareholders dominating the register. Tasman's pulp and paper plant at Kewerua is also a specialist facility. Even if it closed down, there is little chance of realising the assets at anything near their book value. What do you do with a pulp and paper plant except use it to make pulp and paper?

Most companies are in a similar situation where offerors also require the approval of the Minister of Agriculture, which may be given or withheld for reasons which are irrelevant to the enterprise's financial performance.

After allowance for those pitfalls, it is still possible to sort out groups with a spread of shareholding, low earnings,



INVESTOR INSIGHT

high asset values, and look values often understate the true value of the assets, and which operate in industries where there are several other organisations. The last point is important if you are looking for a company which will be a takeover target.

The latter can often be observed in companies or within the underlined low earnings criteria. If the share price is low, the company's performance is usually reflected in a share price well below asset backing.

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linking the step.

The investor who targets for any of these groups must then consider time factor. Few companies in New Zealand, with the exception of takeover specialists, have a history of being taken over.

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NBR SHAREMARKET SURVEY

WEEK ENDING MARCH 8, 1979

1978 High Low	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio	1978 High Low	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
104 107	107	107	105	11.0	3000	11.0	6.1	104 107	107	107	105	11.0	3000	11.0	6.1
105 108	108	108	106	11.0	3000	11.0	6.1	105 108	108	108	106	11.0	3000	11.0	6.1
106 109	109	109	107	11.0	3000	11.0	6.1	106 109	109	109	107	11.0	3000	11.0	6.1
107 110	110	110	108	11.0	3000	11.0	6.1	107 110	110	110	108	11.0	3000	11.0	6.1
108 111	111	111	109	11.0	3000	11.0	6.1	108 111	111	111	109	11.0	3000	11.0	6.1
109 112	112	112	110	11.0	3000	11.0	6.1	109 112	112	112	110	11.0	3000	11.0	6.1
110 113	113	113	111	11.0	3000	11.0	6.1	110 113	113	113	111	11.0	3000	11.0	6.1
111 114	114	114	112	11.0	3000	11.0	6.1	111 114	114	114	112	11.0	3000	11.0	6.1
112 115	115	115	113	11.0	3000	11.0	6.1	112 115	115	115	113	11.0	3000	11.0	6.1
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Business agency seeks guarantee short cut

by Bruce Wallace

GOVERNMENT assistance to small business is still not fully operating, although the Small Business Agency was set up last June.

The 1978 National Party manifesto promised to expand its services but the SBA and the trading banks have yet to set up the guarantee facility that is one of the main strings to the agency's bow. It is unable to lead money directly, although it is a part of the Development Finance Corporation; instead the SBA wants to sign an agreement with the Bankers' Association which would provide for a standard legal document that could be rapidly applied if the agency wanted to guarantee the financial needs of a company.

In the first months of its operation, the SBA did provide guarantees for finance offered through the trading banks, using conventional banking channels, but SBA manager Murray Smith says they are not really suitable. What he



MURRAY SMITH ... used to grasp opportunities.

wants is effective action so that an opportunity can be grasped quickly once the agency has done its homework on a company.

Of course, in the United States, the SBA has its own finance to hand out, but that was going too far for the Government.)

The Bankers' Association in Wellington said it is not trying to be awkward. The Bank

Officers' dispute has taken much of its time and energy for some months, while one or two banks have raised problems.

The Bank of New Zealand did not feel the legal conditions suggested tied in with its own documentation. V L Ansell, assistant general manager, said in principle we're in tune with the thing; our problems can be settled.

But Smith said he believes the SBA can offer better specialist advice to the man of small business than the banks and that is why the Government stepped in with the agency.

The inability to offer guarantee facilities, although they were announced by the Minister of Trade and Industry Lance Adams-Schneider last year, might well have disappointed some applicants. But more serious for the agency has been the less-than-enthusiastic interest as reflected by the inquiry rate so far.

Even though bankruptcies are breaking records and the

Government says small business is a lifeblood of the economy, the agency received only 1731 inquiries from June 1978 to January 1979.

This was below the agency's own estimates, and might have been one result of the Government's refusal to allocate the \$600,000 Smith requested for the first operating year. Instead, he got \$500,000, and had to cut back on staff and promotion, probably getting fewer inquiries as a result.

So what were the difficulties that showed through from the small businesses that did knock on the door of the agency? Looking at the first six months, there was a concentration in the problems of raising finance, planning, marketing, selling and the question of how to deal with new business. The 10 staff members conducted a total of 1938 interviews arising out of the first six months. Of those interviews, nearly 46 per cent came from manufacturing, 19 per cent from retailers and 35

per cent from other sectors. Auckland was the source of 30 per cent while the offices in Wellington, Hamilton, Palmerston North, Christchurch and Dunedin received roughly equal numbers.

Smith argues that once the agency is offering the full guarantee facility and gets more money for the new financial year, as the manifesto promises, the inquiry rate should increase. But he warns that the operation could get overloaded and that would lead to frustration among applicants.

The rationale behind the SBA still appears to need some pressing, and this is largely up to the education programme of the organisation. Already Smith has spent a lot of time encouraging co-operation with other groups in the small-business field. But Smith's first six months show that his clients need specialised advice and constant attention from professionals like accountants and bankers — knowledge they have not had before.

Smith also considers the agency has overcome initial opposition from the Associated Chambers of Commerce, which help out small

businesses also. Alan Smith of the Chambers said he considers the two agencies are "complementary" and not in conflict, despite some misgivings. The Chambers are focussed on the area of greater political pressure, he brought to bear on the Government.

Smith has been invited on the board of management of the Otago University-based development centre, another encouraging development was the setting of a number of accountants to set up practices designed specifically for the small business.

He says that about half the applicants from a manufacturing sector and export potential, which he down by the Government, the problem is that the SBA can go only so far in helping out, even in a priority area. According to its brochure, it provides a "diagnostic, advice, referral service", but not sufficient funds, and unlike other guarantee facilities, alone loans, the SBA is an agency without its business.

Time for change: NZR at the cross-roads

by Bob Stott

In broad terms, much of the content of the New Zealand Railways discussion paper, *Time for Change*, isn't new — a point unwittingly highlighted by a large section of the news media which led off with the "news" that the 1978-79 Railways loss would exceed \$45 million.

That figure had been available since last year's Budget and Estimates. And the "news" that rail freight traffic had fallen off as a result of the 150km limit on road transport and the recession was contained in last year's Railways Annual Report.

Losses on long distance and suburban passengers, and the effects of National's and Labour's rail price freezes, have also been covered in last year's and earlier annual reports.

So what's new about *Time for Change*?

The document essentially comprises two sections. A review of New Zealand Railways today, where NZR stands and how and why it got into that position.

A discussion of the future (this part which has not been well reported so far.)

Time for Change, which was issued under the name of general manager Trevor Hayward, and whose work the document largely is, has a candour which can only be described as refreshing. It opens by claiming that NZR is often regarded in something less than a favourable light, and accepts that railways must take some of the blame for not taking the public into its confidence.

Discussing the present situation, the report explains how railway rates and charges were imposed by Government decree, how the NZR ran into the red and had to borrow money to keep going, and how today the railways not only have to face interest charges on the money borrowed, but also a drop-off in traffic owing to the recession.

The section on passenger services has had a good airing in public, especially since the decision was announced to withdraw one of the two overnight Auckland-Wellington trains.

Some media reports have indicated that all long-distance passenger runs will cease. But *Time for Change* appears to make a commitment to continue at least some rail passenger services. The report says "future requirements for new long distance trains must also be considered... converted railcars are only a medium term solution pending the purchase of new equipment."

Some of the matters raised in the section on freight traffic have also been discussed elsewhere. In July 1977, this column concluded that there was no way the Napier-Glabrore line could be profitable — Time for Change confirms that the annual loss is more than \$3 million on this route, and likely to rise.

The report lists other uneconomical routes — Okaihau, Dargaville, Thames, Cambridge, Kuroo, Otago Central, Kaitake and Mossburn lines. Here again, this column

warned (April 1978) that the Kaitake line was losing heavily and risking the future of the Kaitake Flyer tourist service.

In spite of rumour to the contrary, NZR does not appear bent on expanding its road transport interests. The report says that ancillary goods services (feeding from small centres to larger rail terminals) will be phased out as the small centres so served lose their railway stations and goods sheds. Route services, which are few in number and correspond to the operations of private road transport operators, will be continued on a conventional basis. Which doesn't sound like expansion.

The section on fares attracted interest insofar as it suggested removing the South Island terminus from Picton to near Lake Grassmere. This would shorten journey times, "substantial economies" would follow, and "some charges would be reduced". One wonders whether among the economies would be the closing of the railway from Blenheim to Picton. Without the ferries, Picton would not generate enough traffic to keep the line viable — a "notional" line north from Blenheim might be the cheapest and most acceptable politically.

Rail Air is to go at the end of next year when present contracts expire — about time too, for the service loses money and is of doubtful utility.

Under the heading "support services", the section on track has a point which should be of interest. The section talks of continued investment in labour-effective track maintenance machines "and prudent use of contract forces" as being the main features in this important area of railways. If I were a contractor I'd be hoping that "prudent use" means more use of contract forces.

The report notes that the wage bill comprises 57 per cent of expenditure, and says the overall financial loss can't be reduced without some impact on staff numbers, which must be brought into line with the changing pattern of business.

This is self evident, and has been for some time. One can only hope that some sort of redundancy agreements can be thrashed out with the roll unions. It is easy to make a case for reducing operating staff (by closing small stations for instance) but less easy to shed clerical and administrative staff. To be effective, staff cuts should be across the board.

It is pleasing to see NZR claim the credit for its excellent apprenticeship scheme. Currently, NZR is spending more than \$2 million annually, training no fewer than 1136 apprentices — many of whom will be lost when they complete their training as they flock to private enterprise concerns — which train no apprentices but offer better wages for tradesmen.

Private enterprise critics of NZR should be reminded of this sort of service.

The section on use of energy points out that rail movement of freight uses less energy than road, a point which cannot be argued against in general

terms. This advantage does not apply to diesel-hauled passenger trains, says the report — but this is debatable. As British research has shown (and reported here November 1977), long distance passenger trains packed with seats at bus spacing, and without toilets, corridors, and so on use less energy than buses.

Time for Change would have been more accurate in this respect if it had said that "traffic flows on longer routes in New Zealand are insufficient to warrant the use of trains, which are only effective energy savers when large numbers of people want to travel at the same time".

The above and the *Time for Change* version, add up to the same end result, so maybe the point is already academic.

As recently as January 31 this year, this column pointed out that if due allowance is made of railways social services then NZR's annual deficit is not nearly as bad as it looks. *Time for Change* makes this point. A narrow interpretation of the NZR

financial result, it says, "does no justice to the thousands of railway men and women who understandably resent criticism of their efforts by a community which is not fully aware of the costs inherent in the provision of public services".

And it adds: The financial impact of these services should be clearly spelled out in the annual financial report... the point made in this column.

In summary, it can be said that what is important about *Time for Change* is not what is being said, but who is saying it, and in what context. Theorists and commentators have covered most of the ground already, but now NZR itself is, if you like, making it "official".

Time for Change ends by enunciating three basic principles:

- To develop and expand those services which are commercially sound;
- To continue those services which provide proven and adequate social benefit — and spell out the costs;



TREVOR HAYWARD ... refreshing candour.

• To discontinue those services which have no clear commercial or social justification.

I think these three principles admirably sum up how NZR can get itself out of the mire, and can only add three basic principles for the public:

- When commercially sound services are developed and expanded, don't complain about unfair State competition;

• When social services are retained in response to public appeal, accept the price of doing so as a cost to the community as a whole and not as a railways loss;

• When services which have no clear commercial or social justification are stopped accept the situation in good grace even if their demise does dent parochial pride. After all, if the services were useful they'd be used, and therefore financially or socially desirable.

Time for Change makes it clear that NZR is at the cross-roads. One way leads to larger deficits, a worsening public image, rock-bottom staff morale, an inability to attract recruits and all the other evils associated with soaring annual losses.

The other way leads to a useful, indeed vital, railway transport service — and if Hayward can get NZR heading along this path, then his tenure as general manager will be seen as something of a turning point in the history of railways in New Zealand.

"To secure his market, the exporter must be able to make commitments confidently, knowing he can live up to them. Among other things, this means having complete confidence in the dependability of cargo carriers.

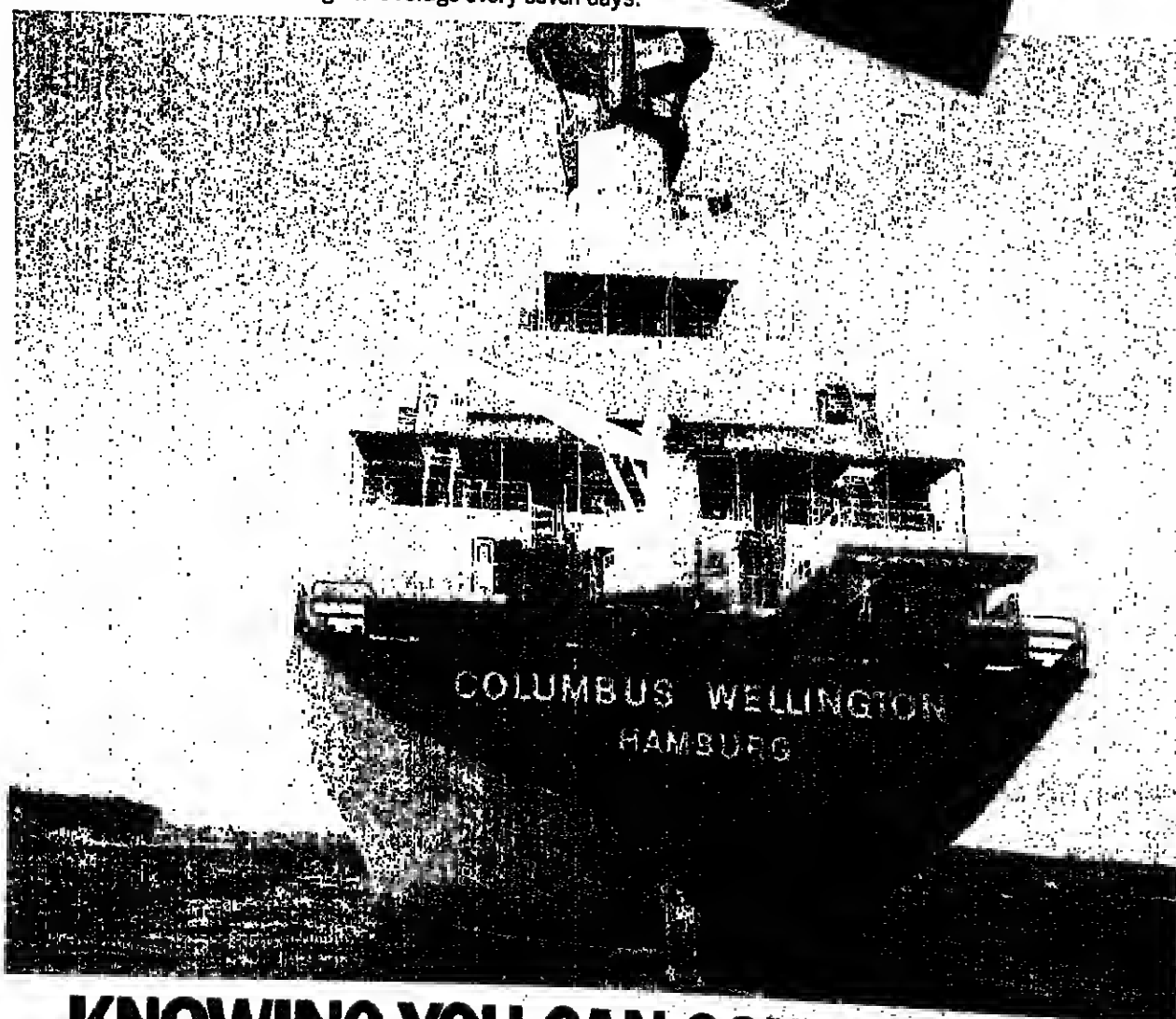
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For Sale: technology

by Alan Parker

NEW ZEALAND technology available for overseas manufacture will be shown to executives of some of the world's largest corporations this month.

A New Zealand stand has been booked at a technology exchange fair being run in conjunction with an international Licensing Executives Society (LES) conference in Sydney. The conference draws licensing executives from many of the major corporations of the world.

The Australian Innovation Corporation is taking advantage of the presence of technology buyers and sellers by mounting the first Australian Technology Resources Exchange Fair, giving Australian companies an opportunity to present their technology to this high-powered and captive audience.

And the Development Finance Corporation, with two executives attending the conference, has joined forces with 16 smaller clients of its Applied Technology Programme to give a New Zealand presence one or two of the ASEAN nations are also displaying wares.

New Zealand technology on display will include: heavy machinery (gate-rolling equipment made in Auckland), computer graphic plotters, automatic pneumatically-controlled drills, a non-polluting asbestos saw, and a marine testing facility.

Says Owen McShane, Auckland manager of the Applied Technology Programme: "We will not so much be selling finished goods at the fair but technology in the form of know-how, patents, inventions and so on. What will be on sale are the licences to manufacture."

And that raises a curly question: With the current emphasis on the need to boost export sales, expand our industrial base and reduce unemployment, should New Zealand be selling home-grown technology instead of finished goods?

McShane agrees that it is fair comment: "Most New Zealand businessmen do see licensing for manufacture overseas as selling out; they feel that the sale of finished

goods for export and exchange is the best way New Zealand to improve its position."

"But the typical small New Zealand business cannot get into the total market quickly — and by the time he does, his technology is often out of date."

McShane says we should concentrate on one or two markets, such as Australia and the west coast of the United States, then offer technology for licence in areas where there are particular problems such as large different customs and so on.

It is a sophisticated approach, says McShane: "10 per cent of \$1 million is better than 100 per cent of \$10 million. And, of course, all royalty payments are straight profit for a company."

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US aviation: small aircraft sales soaring

30500

Citizen band radio reaches boom demand

by John Gaines

CITIZEN band radio is a booming business for New Zealand manufacturers, retailers and peripheral manufacturers and service men.

A personal radio needs no qualification on the part of its operator, only a set and licence. It is a rising wave which has certainly not reached its peak.

There are some 25,000 licensed CB sets in New Zealand, and the number is growing at approximately 1000 new licences a month.

One estimate in the United States is that at least one person in every 20 holds a CB licence. If that was the penetration in New Zealand, with a population of three million, the figure would be 150,000 sets. The 1978 sales forecast for the United States was six million sets — at \$55 each.

CB sets have to meet a Post Office Specification, RTA 23, but it's not particularly stringent. The sets are relatively simple, perhaps getting simpler because of integrated circuits and phase locked loop technology. Most of the technology is Japanese and even many of the CB sets sold in the United States are Japanese in origin.

Many parts have to be imported into New Zealand, such as the integrated circuits and transistors, but they are not expensive because they are produced by the million overseas.

Sets in New Zealand cost the user \$200 to \$300.

Although power of the sets was restricted to half a watt, in July 1978 an increase to two

watts was allowed, and four new frequencies were allocated. There are now 11 channels for general use and three for Government departments, local bodies, or approved users (business people).

Often CB fills the commercial need of a small business or a specialised need, such as between the top of a construction crane and the ground, or in a large timber yard.

In New Zealand, Atlas Majestic Industries Ltd produces the Bell Pace, basically a Japanese set.

AWA NZ Ltd makes the AWA Clerton TR10, a new arrival on this market, but with that company's communications technology background, a logical one.

The Laser Communicator is also a new arrival, marketed by David Reid Manufacturing Ltd, and is a copy of the old Minicom which was produced by a small Christchurch company some years ago. David Reid retails them through its own chain of New Zealand electronic centres, and through shops which specialise in this equipment.

Tait Electronics Ltd has been selling CB sets for many years, a natural line for such a specialised radiotelephone company.

Autocret Radio Ltd was one of the first companies in the field — it marketed the Fieldphone, a Japanese set, in the 1960s. It now handles the Handic, a Swedish design, a big name overseas, but only three hand-held models with one, two or three channels are sold here.

Hytac Electronics Ltd in Christchurch, a small company.

Monitor Electronics Ltd, Auckland, makes Monitor and Moonraker sets.

The Heron is made by Matamata Electronics Ltd, Matamata.

The Comet X-5 is made by Comet Electronics, Hastings.

Airline Industries Ltd of Auckland produces the Airline. That name is one of the oldest in the New Zealand CB world, though the original company has gone out of

business.

Hand-held sets are popular with trampers and climbers; bigger sets are used as bases and mobiles in cars, trucks and boats.

Many foreign-manufactured CB sets are brought into the country by travellers they are cheaper in Australia, Fiji, Singapore, Hong Kong and Japan.) But the frequencies used overseas are different from New Zealand frequencies, so a change of crystals is required, and sometimes other modifications to make them acceptable to the New Zealand

Post Office.

The peripheral rumour makes urethra, which are not just a piece of wire or metal rod. They are often of fibreglass, and base loaded or spirally wound with an exact length of wire to match the output of the transmitter. There are ground-plane antennas for base sets, mobile antennas, such as gutter grip and roof mount.

Crystals for the sets are big business. One crystal is required for each transmit and each receive channel, and for a set with 11 channels, that's 22

crystals at probably \$1 each. Hickman Industries of Auckland and Hatfield Crystals Ltd of Napier share this business.

The new phase-locked sets require only a single crystal for multi-channel operation.

CB appeals to a people who move, and New Zealanders who travel in the United States, a CB radio is optional extra for many. It is said that it will become a standard fitting, as important as a brake, a windscreen wiper.

Saki, Geisha, Datsun and Watties

Tokyo Correspondent

THE familiar red and green Watties logo always starts New Zealanders in Tokyo when they see the frozen foods delivery van weaving between eternal lines of Toyotas and Datsuns. But it shouldn't, although they've been slow to catch on in a country accustomed to fresh produce. Now, with the decline of agriculture and rapid industrialisation, all that's changing — but it's changing slowly.

For one thing, the Japanese housewife invariably doesn't have an oven, so pies and TV dinners are virtually impossible to sell. Sadakichi Toyozumi, general manager of Wattie Japan Ltd, still shudders when he recalls an undisclosed number of such products that were imported and duly dumped, due to a lack

of consumer interest. The other problem is that refrigerators are much smaller than in most western homes, and the housewife generally makes a daily pilgrimage to the supermarket, rather than storing provisions. Shopping is seen by most Japanese women as a hobby rather than a chore.

Still, today more than 80 per cent of imported frozen foods in Japan are used in hotels and restaurants. Last year,

Watties' share of the total market was around 12 per cent, considerably down on previous years because of the enormous importance of frozen potatoes from the United States to fill the demand for the rapidly expanding American fast-food chains here.

"American potatoes are better for frying and also cheaper," laments Toyozumi. "Japanese potato consumption is increasing and there's a great future for potato imports from the United States."

No, or one of the other executives, makes regular trips to Watties in Hastings to keep abreast of product developments, with a view to extending the present Japanese range beyond peas, corn and mixed vegetables. Much of the frozen food comes in bulk, and is repacked in superior laminated packs which remain transparent — unclouded in the freezer,

unlike the New Zealand pack quality with poor quality," says Toyozumi, adding that sales have significantly after he's had the switch.

To get further insight into the business in Japan, he commissioned the company number one advertising marketing firm, Dentsu.

He says that television has been employed to push Watties' products to some extent, but that point-of-sale demonstrations have proven effective. This involves substantial budget to offer hire teams of attractive professional sales girls to key supermarkets — at a cost, of course, as the product is equally attractive to material. Nevertheless, reports that women generally still unsure how to prepare frozen vegetables.



SADAKICHI TOYOZUMI... slow acceptance.

Big doesn't spell best

OGILVY and MATHER have brought attention to a point which analytical media buyers have been trying to make to their clients for some time — that TV One with its majority audience share doesn't necessarily offer the best deal to the advertiser.

An article in The Dominion on January 9 outlined TV One's hold on two-thirds of the national audience share.

Advertisers, and some agencies, allocate advertising budgets according to these audience shares, Hunter said. What they should be doing is working out the cost per effective reach to their own target audience.

It is here that the analytical media buyer comes into his own.

The name of the game is to know a client's product, his market, analyse the programme ratings to find out what that particular target audience is watching when, and then compare prices on a cost per reach basis.

"The actual audience delivered by a specific programme is of greater importance than audience share," says Hunter. "The advertiser who places a commercial into a selected programme in peak time (10-10 pm) must aim to reach the maximum number of potential consumers of his product or service. Further, he must ensure that he has paid a fair price for the available audience."

Hunter takes his readers through the media-buying exercise to show how SPTV can work out cheaper than TV One, despite TV One's large audience share.

"Let's take an example from the most recent October 1978 BCNZ survey. A national advertiser wishes to direct his commercial to all women aged 25-54 years. It's a popular target group for many products.

"He has six commercial days to choose from, five on each channel; Monday being non-commercial on Television One, Friday on South Pacific Television and Sunday non-commercial on both.

"Saturday, for example, has an average audience of 45.2 per cent of women aged 25-54 years watching the two channels combined within the four hours of peak time.

"They average 60.5 per cent of their viewing time on Television One and the remaining 38.5 per cent of their time on South Pacific Television.

"A 30 second commercial placed into A Week of It on South Pacific Television reaches 30 per cent of women 25-54 years for a cost of \$1040, or \$34.67 for every percentage of the target audience reached.

"In contrast, the highest rating programme on Television One is The Muppet Show with an audience of 38.4 per cent followed by News at 5.30 (35.8 per cent). Only when the cost of this audience is taken into account is the true picture revealed (see chart A).

"Clearly, A Week of It is 38 per cent more cost efficient than The Muppet Show. Thus station shares have little direct influence on ratings or cost efficiency when buying television programmes. "The art is to buy the right programme at the right price," says Hunter.



Looking at TV One's new 1978 rates, Hunter notes that in 1978 most TV One advertisers bought the "rotate buy" at \$1266, because few programmes achieved ratings high enough to justify the 50 per cent loading for "fixed programme" priced at \$1839.

This year TV One cut the fixed programme loading to 30 per cent but, to protect the sale of fixed programme ads to 30 per cent of the time available.

The new situation is shown in Chart B.

Hunter said that last year, five programmes had ratings for the target audience Chart B high enough to justify the 30 per cent fixed time loading.

(8.30 news, Close to Home, Robins Nest, MASH, Charlie's Angels).

Advertisers able to buy these fixed programmes, Hunter said, would enjoy excellent cost efficiency, but he warned that they were to be offered on "first in, first served, best dressed situation to fan rate inflation during 1979".

The bulk of advertisers would be left only the rotate option.

Hunter estimated that during periods of high commercial demand the rotate commercial could deliver 30 per cent less audience than previously, and between 15 and 20 per cent less during periods of moderate demand.

The net effect was to push the cost of advertising up by 25 per cent, as Hunter shows:

"Take an example from October 1978 survey and assume the reduced efficiency of rotate, due to fixed

programme placement, was only 15 per cent. (It must be remembered that this is well below the theoretical maximum of 30 per cent.)

"By downweighting the peak time zone average by 15 per cent, calculate the effects on cost of audience delivery.

"For this example we have again used the target audience of women 25-54 years and the October 1978 BCNZ All New Zealand survey (see Chart C).

"Although seasonal viewing fluctuations affect the absolute audience throughout the year (winter audiences are highest, summer lowest, etc), Chart C clearly shows that the peak time rotate Television One advertiser could be paying in excess of 25 per cent more for his audience during 1978 than in 1978."

Hunter found that the net effect of TV One's rate increases was to make SPTV's rates more competitive on a

cost-per-target audience reach basis. In short, the cash-conscious advertiser is advised to look for bargains in some of SPTV's less popular programmes in light of the new rate structure.

Amalgamation flaps buyers

The coming amalgamation of TV One and SPTV has media buyers in a major flap. Many, in anticipation of a hefty rate increase, are booking space in alternative media and casting a worried eye at the big block bookings they have with TV.

But all the furore may be precipitous. If TV has to abide by price control regulations governing the rest of New Zealand industry they must wait at least six months from the last rate increase until asking for more. TV One's last rate increase doesn't become effective until April 1.

Until such time as a new month replaces the current TV One-SPTV duo, media buyers will be faced with a choice.

CHART C

	1978	1979
Television One 6-10 p.m. Zone Average [%]	29 less 15% = 25	
Cost—30 second	\$1226	\$1320
Cost per % audience	\$42	\$53



"23 markets in 36 days... Fast. Tough. Successful. Thanks to Thomas Cook."

Multi-national travel can be a real headache. If you let it. And, for a long time I did. After all, my travel agent seemed to be doing everything right, a small shop but he was a good bloke and looked after everything himself.

You meet a lot of people on business trips. In fact, it's not uncommon to bump into the same faces at the different airports around the world.

That's how I found out about Thomas Cook. There was this one particular bloke I repeatedly crossed paths with. The thing about him that hit me first was that he was never ruffled. Never rushed. Always fresh as a daisy

and, apparently, powered through business.

The other thing I noticed was his luggage labels. Always Thomas Cook. There were days when it seemed I was spending more time chasing around after visas and the like than I was attending to my business.

I'd be hastily re-briefing myself for the next appointment as we boarded the aircraft while he would be preparing to fully enjoy the forthcoming flight. One day we were sitting together in the departure lounge bar at Heathrow and we got to talking. I broached the subject of business travel.

"How do you do it?"



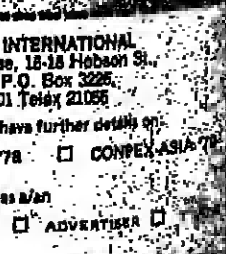
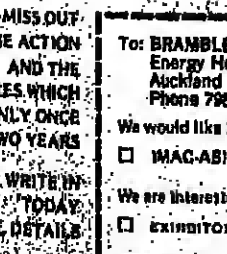
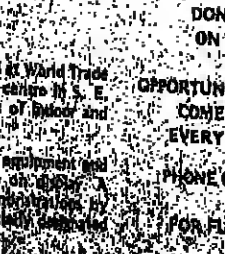
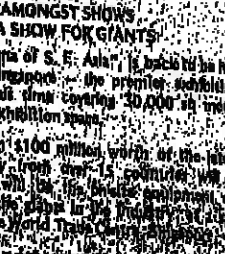
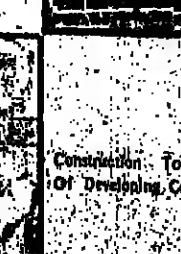
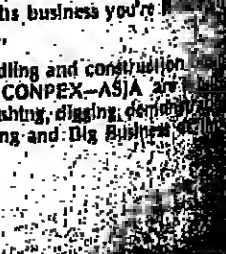
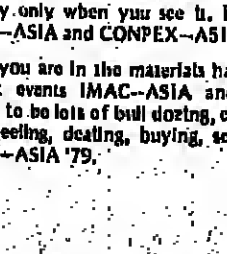
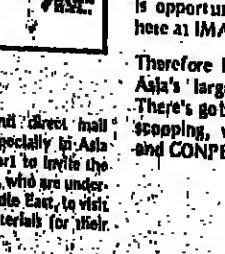
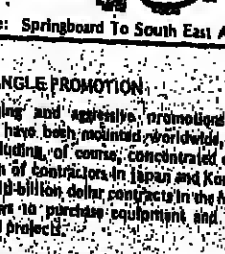
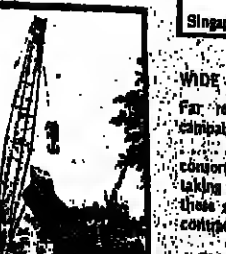
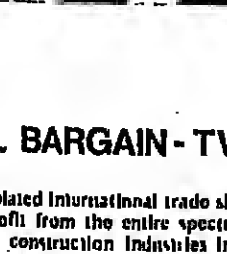
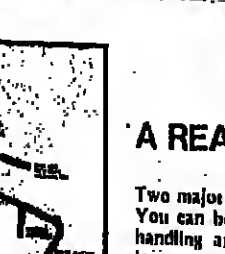
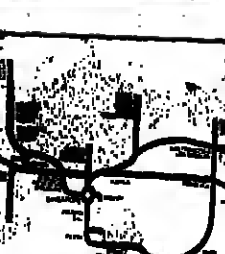
Thomas Cook

The trusted name in travel. Everywhere.

Auckland Savings Bank Building, 10-12 Victoria Street, Auckland. Christchurch Savings Bank Building, 10-12 Victoria Street, Christchurch. Dunedin Savings Bank Building, 10-12 Victoria Street, Dunedin. Invercargill Savings Bank Building, 10-12 Victoria Street, Invercargill. Hamilton Savings Bank Building, 10-12 Victoria Street, Hamilton. Melbourne Savings Bank Building, 10-12 Victoria Street, Melbourne. Sydney Savings Bank Building, 10-12 Victoria Street, Sydney. Wellington Savings Bank Building, 10-12 Victoria Street, Wellington.

Business Travel. Tour Packages. Personal travel itineraries. Traveller's Cheques. It costs no more for the superb service of Thomas Cook.

GULLIVER'S TRAVELS MAY BE A FAIRY TALE BUT A MEETING OF THE WORLD'S GIANTS AT WORLD TRADE CENTRE SINGAPORE IS FOR REAL



A REAL BARGAIN - TWO AT ONE GO

Two major related international trade shows at the same date. You can benefit from the entire spectrum of trade visitors from handling and construction industries in Asia. Don't be left out. It is opportunity only when you see it. If its business you're here at IMAC-ASIA and CONPEX-ASIA.

Therefore if you are in the materials handling and construction Asia's largest events IMAC-ASIA and CONPEX-ASIA are there's going to be lots of bull dozing, crushing, digging, scooping, wheeling, dealing, buying, selling and Big Business at IMAC-ASIA and CONPEX-ASIA '79.

Don't miss out on the action and the opportunities which come only once every two years.

Phone or write today for full details.

To: BRAMBLES INTERNATIONAL Energy House, 15-18 Hobson St., Auckland 1, P.O. Box 208, Phone 226-111, Telex 2108.

We would like to have further details of: ☐ IMAC-ASIA '79 ☐ CONPEX-ASIA '79

We are interested as a/an: ☐ exhibitor ☐ advertiser

Company: _____ Address: _____ Executive: _____

Ward & Grey's advertising works.

Whitcoulls Limited

WH 11

Dunstan's departure has eerie resonance

r worthwhile. By

The vice president of the Dunedin Export Association, Owen Tallentire, said that the manager for Arthur Burns & Co. Ltd., was recently in Dunedin on business, and was out for promotional purposes.

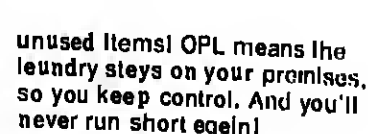
"For New 2
manufacturers to
products in Japan, the
display is the
astronomical. This
space at the World
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launching new products
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Insurance

Like Kirsner, figures I saw some-
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x inendation to a probable
unrestricted compen! most c

Think about it.



Specs: no problem
An OPL washer and dryer package takes up less space than most office desks. And OPL has the advantage of being easily operated by any member of your existing staff.

Whichever way you look at it,
OPL makes sound business
sense.

Ian W. Moses
OPL Division
Advance Industries Limited
48 George Street
P.O. Box 4211, Auckland



QPL
The Great Alternative

Telephone _____

n a massive outflow of ... evoked v
Norman

funds to pay the price,
even if a property
come back by way of
and reciprocal business.
It can be argued that
that the stability of

insurance market is protected. Perhaps the Planning Council's recommendation to permit unrestricted competition

necessary on an international scale — is its obvious failure to the classic recipe for protecting local industry. The Government, presumably, is aware

suicidal competition threatened the life insurance market, and collapses of insurance brokers have been frequent and close for New Zealand here.

world insurance that
but there is plenty of
petition among local
for good and bad busi-
unlikely that the Gov-
would stand back and

lvent and overseas is
und brokers to equal
ruinous premium cuts.
The battle might bring
porary savings to clients
would produce disastrous
term effects for the life
own industry.



THE AUSTRALIANS

Liberal party leader, Stas Hall, did the boneiest thing a redrew the boundaries along more democratic lines Dunstan won the next for elections he was premier (just under 10 years) and

The State that Dunst inherited as leader was making an effort to set manufacturing industries, the so-called "bid for growth". It was known as the most reactionary State in the Commonwealth, the Quaker

lend of the 1980s. Undunstan that changed. cultivated the arts, broke down the gates of censorship and generally made Adelaide lively and lovely city to live in. People who have been here tell me that people in Adelaide are more courteous and better informed than people from Sydney or Melbourne. Whether this is true or not, the fact is that Dunstan tried to create in Adelaide the Greco-city-state ideal.

Unfortunately for him, most of his dreams were collapsed

his significant new publication, Ian Lean, farmer and agricultural economist, claims why production rather than market reforms inhibit agricultural exports. He weighs the pros and cons of five alternative policy strategies to combat New Zealand's complex, persistent agricultural problems. Lean concludes that the weight of evidence supports one particular strategy . . .

The Future for New Zealand Agriculture
Published by Fourth Estate Books on behalf
of the N. Z. Planning Council

coupon elsewhere in the ad.

Dunstan's determination and his political career path atop to the often-cavorted possibility that he might, in future date, have moved in Federal politics. The thinking was that if Hayden lost the next election (not entirely foregone conclusion - opinion polls show Labor in front) then Dunstan would be brought in as the new hope of the party.

My only encounter with Dunstan took place in 1981 when Gough Whitlam, then Prime Minister, opened up

GRANNUA

AV

SAVE \$500 TAX

And National Provident Fund can offer these unique advantages:

1. All schemes Government guaranteed.
 2. No administrative costs added.
 3. No commitment to future contributions.
 4. After five years you will receive your contribution plus interest if you are required to withdraw.
 5. Optional retirement after age 60.
 6. A wide range of optional retirement payment plans.
 7. On retirement, pension payments are frequently adjusted to help cope with inflation.
 8. Estate benefits may include a death-duty free widow's allowance.
- ENQUIRE NOW**
If you're self-employed or a person wanting to utilise your maximum tax exemption, get in touch with us right away.

ENQUIRE NOW
If you're self-employed or a person wanting
to utilise your maximum tax exemption,
get in touch with us right away.

To contact your nearest representative,
call, write or ring National Provident
Fund in your telephone directory.

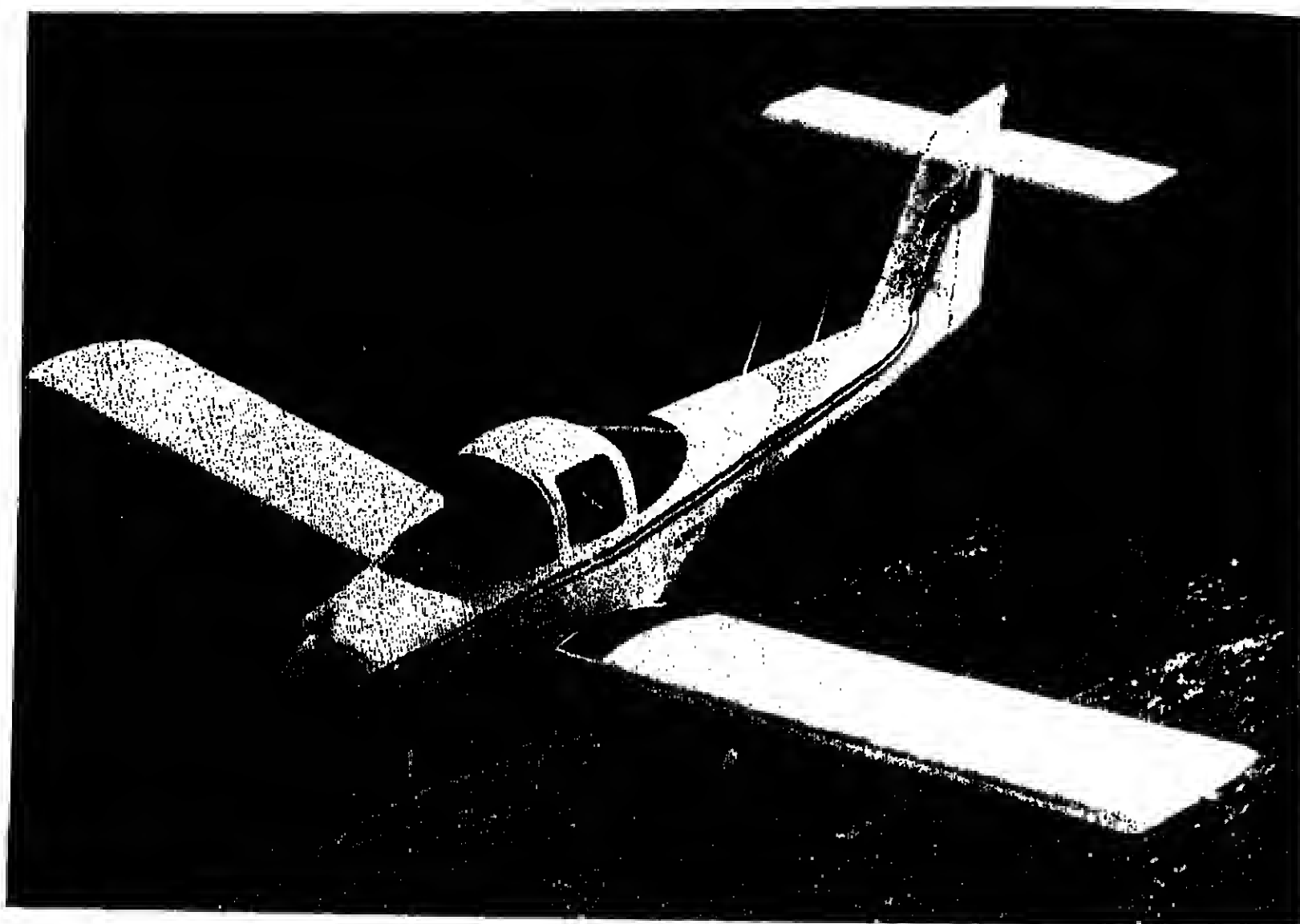
National Provident Fund
P.O. Box 5022 Wellington
Please send Newsletter on your
"Cash Accumulation Scheme"

Name _____
Address _____

PROTECT NEW ZEALAND FLORA AND FAUNA



Adele Koh, a brilliant economist who later became his wife, died last year after a long drawn out battle with cancer. His own glittering career is finished, and for once this cynical journalist can't help feeling pangs of sorrow at the passing from the scene of a politician, in every sense of the word.



**THE PIPER TOMAHAWK.
THE MOST ADVANCED TRAINER
IN THE WORLD TODAY.**



More airplane for the dollar
Piper Aircraft Corporation, Lock Haven, Pa. 17745, U.S.A.

INTERNATIONAL DISTRIBUTOR: AIRWORK (NZ) LIMITED
Distributed in New Zealand, Kingdom of Tonga, Western and American Samoa, Fiji and Cook Islands, Solomon Islands, by AIRWORK (NZ) Limited, International Airport, Christchurch, New Zealand.

Artificial sweeteners face identity problems

by Belinda Gillespie

Is it a food? Is it a drug? No, it's saccharin. Two artificial sweeteners are permitted under New Zealand law, but their status is somewhat ambivalent.

Food manufacturers would like to be allowed to use them much more, because both are very cheap and very sweet. Saccharin, discovered late last century, is 200 times as sweet as sugar. Cyclamate, which since the 1940s, is about 30 to 80 times as sweet.

Before its banning in 1969, cyclamate was the basis of a billion-dollar industry in the United States and Britain, where it was widely used in manufactured foods as a sugar substitute.

The scientific community warned that a substance introduced as a drug and intended for people who had to reduce their sugar intake for medical reasons had no place in the general food supply. The warning went unheeded by the food industry. Cyclamate was much cheaper than sugar and had none of the flavour or stability problems associated with saccharin.

The evidence that cyclamate caused bladder cancer in rats, which led to its banning, was shaky, but the prohibition was swallowed without too much trouble by the food industry which could fall back on saccharin.

But early in 1977, the Canadian and United States authorities jointly announced a ban on saccharin. A Canadian experiment had pointed to saccharin as a cause of bladder cancer in male rats over two generations.

Although saccharin has been in use for more than 60 years in the United States, there is no evidence that it has caused cancer in humans. History has proved to be on the side of Ted Roosevelt, who declared in 1907, that "Anyone who says saccharin is injurious is an idiot".

Nevertheless, the FDA had no choice but to ban it. Under the famous Delaney amendment to the Food, Drug and Cosmetics Act, any food additive that causes cancer in either humans or laboratory animals must be prohibited.

When the Delaney clause is invoked, the repercussions are international. The drama of an overnight ban on a substance which is the basis of a major industry has media appeal.

A government which neglects to follow the American move can be made to appear negligent of consumer health, or cynically favouring manufacturing interests.

On the other hand, the clause is the subject of bitter criticism by scientists.

The ability to detect carcinogenic substances in the environment has been refined in the 20 years since the amendment was passed, to a degree that it seems before long virtually all food, drink, and even air will be shown to contain carcinogens.

The United States law precludes also any consideration of the benefits of a food additive — for example, helping people to lose weight, or providing sweetness for diabetics.

Some test animals are more susceptible to cancer than others, and doses used in experiments may be ridiculously in excess of so expected human intake. The Delaney clause does not recognise these factors.

Food manufacturers, diabetics and weight-watchers vigorously protested against the saccharin ban. In fact, implementation of the ban has been blocked, and a stop-gap



GOOD HEALTHKEEPING

bill introduced ordering a major study of saccharin by the United States National Academy of Science, and subsequent advice on food additive legislation.

The situation is different here, where the use of cyclamate and saccharin has always been restricted to manufactured products intended for diabetics.

But the results of the United States study, expected this month, could cause Health Department action on saccharin, and consternation in the food industry among the producers of artificially-sweetened drinks.

Saccharin has been called "a chemical in search of its identity".

It is classified here as a food additive (any food containing it or cyclamate must be labelled as "special purpose food" intended for use by diabetics). But either may be bought in pill, powder or liquid form at chemists' and grocers' shops



MAGNUS PYKE... 9 seconds off life.

for the individual consumer to add to food.

In America, the FDA is considering reclassifying saccharin as a drug, while remaining adamant about getting it out of the food supply. If this could be achieved, the position might be similar to that in New Zealand, where sweeteners are freely available over the counter, but restricted in food.

There are numerous critics of the position that saccharin is dangerous. Manufacturers of artificially-sweetened drinks would like us to think they are doing us a healthy favour with their products. They claim that sugar is far more dangerous than saccharin — its effects on tooth decay and obesity are well known, they say, while there is no solid evidence for saccharin's harm to human health.

Magnus Pyke, recently in New Zealand for the ANZAAS conference, called for a change in outlook on substances such as saccharin. He estimated that, if further tests confirm the Canadian results, the consumption of one bottle of artificially-sweetened soft drink might result in a life expectancy reduced by nine seconds, and warned his audience to "make sure the hearse is punctual".

By similar calculations, smoking a cigarette cuts life expectancy by 12 minutes, and few consumers could drink 20

or more bottles of soft drink a day — the level of cigarette consumption reached by even "moderate" smokers.

"Superfluous calories", claimed Pyke, also pose a far greater health threat than saccharin. He suggested that there is a need for some means of weighing up the practical importance of scientific discoveries, and arriving at a "rational balance" between risk and benefit.

Health officials here tread a tightrope between allowing food manufacturers a carte blanche on sweeteners, and restricting their use altogether. In practice it is difficult to implement the regulation which attempts to confine the sale of artificially-sweetened drinks to diabetics.

Late last year Dr J H H Hiddlestone, the Director-General of Health, issued a statement criticising the advertising of artificially-sweetened foods. These products should not be promoted as suitable for children or the general public, he said — yet a recent survey had showed that 40 per cent of saccharin-containing drinks were drunk by children under nine years, and another 20 per cent by those between nine and 18.

Soft drinks with names like "Slimline", "Happyday" and "Thrillite" are clearly not aimed at a diabetic market. They are orientated, respectively to more lucrative segments — the relatively sophisticated weight-conscious consumer of tonic, ginger-ale, lemonade and cola along with spirits; the child market; and the cost-conscious housewife.

Although the weight-reducing properties of saccharin are widely believed, there is no hard evidence that those who use it get slimmer than those who don't. Similarly, there is nothing to show that sugar, in particular, causes people to put on weight, rather than overeating in general.

The Health Department view is that diabetes, to whom sugar may actually be harmful, face a lifetime of food restrictions, and artificial sweeteners, though not essential, considerably brighten their lives.

The general public, however, can get by without them, and children particularly may suffer long term harmful effects, as yet unknown.

Manufacturers who have been gradually encroaching on these markets, therefore, have been called to heel, and directed to comply with

labelling requirements. The department is still engaged in the work of reviewing the labels of all products, and writing to those who don't comply.

Manufacturers have been sent copies of proposed changes to the labelling regulations, which it is hoped will go through with the fourth amendment to the Food and Drug Regulations in the next parliamentary session.

The steady extension of the market for artificially-sweetened drinks has taken

place despite repeated warnings by the Health Department over the last few years. If implemented, the new labelling requirements will demand a declaration of the type of sweetener used, and a medical warning that the product is not suitable for children unless recommended by a doctor.

The effect, therefore, could be expected to be of a magnitude comparable with that of the health warning on cigarette packets.

The present compromise has

not been a deterrent to the marketing ambitions of soft drink manufacturers. A more sweeping condemnation of saccharin as a health risk may prove to be its death knell.

A recent report that saccharin can act not only as a carcinogen, but as a promoter — a substance which increases the cancer-inducing action of other substances — may lead weight to the results expected this month, and cause artificial sweeteners to be confined to the shelves of pharmacies in this country and overseas.

Investment and Management Opportunity

The Proposition

From time to time opportunities exist for investors with an aggressive and successful background to purchase an established Todd Motors vehicle Dealership and we presently have a limited choice of propositions available for discussion.

Franchisees:

A Todd Dealership is able to offer a comprehensive range of internationally famous products: Chrysler and Mitsubishi cars and Commercial vehicles; David Brown, Case and Satoh tractors. All these products obtain a significant share of the available New Zealand market and opportunities exist in all areas of the franchise.

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You will be investing in an established business, fully equipped with facilities and resources appropriate to a major franchise, handling nationally promoted new vehicles. A reasonably substantial capital input, upwards of \$50,000 is required to fund such a business with Todd Motors Ltd supplying financial direction and other assistance as necessary for you to investigate a proposal. We believe this investment and management opportunity would best suit a younger businessman in his 30's with proven expertise in selling or a related field and a practical understanding of business organisation.

Todd Motors Ltd Contribution:

As one of New Zealand's major manufacturers, Todd Motors has an established reputation for stability and integrity. Support is given to all Todd Dealers with a wide range of services in Sales, Parts, Service, Business Management, Market Research, Staff Training, Finance etc. The relationship between Todd Motors Ltd and its network of independent Dealers is a mutually supportive and mutually profitable one.

This is a rare opportunity:

The 89 Todd Dealership outlets throughout New Zealand enjoy a reputation for being desirable and profitable franchises to own. The opportunity to purchase a Todd Dealership is therefore a rare and attractive one. We invite interested parties with the appropriate financial resources and necessary management skills, to discuss this opportunity in strictest confidence with:—

Mr Murray McCaw
(Manager—Dealer Development)
Todd Motors Ltd
Telephone 70-109 Porirua

Applications in writing:
C/- P.O. Box 50-349 Porirua
will be fully considered



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Public Relations & Advertising Executive

The Position:

International Computers is looking for an experienced person to take over the important executive position of controlling ICL's advertising and public relations activities in New Zealand. The position calls for a highly motivated, self-starter with a sound appreciation of the New Zealand business scene who can not only initiate and successfully implement new promotional projects, but can also oversee the organisation of key company conferences to tight deadlines. The person will also be expected to control the overall Public Relations and advertising budget and plan the annual appropriations to the various alternative activities.

Qualifications:

The appointee will almost certainly have a tertiary qualification, have demonstrable verbal and written communication skills and will preferably have had some recent experience in Public Relations, advertising or sales promotional activity. The person sought will probably be in his/her thirties in order to have attained the experience and maturity required.

Applications:

Applications to be made to:
Peter McLaren
Manager Personnel Services
International Computers (NZ) Ltd
P.O. Box 394 Wellington
Phone 724-884



International
Computers
(New Zealand)
Limited

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